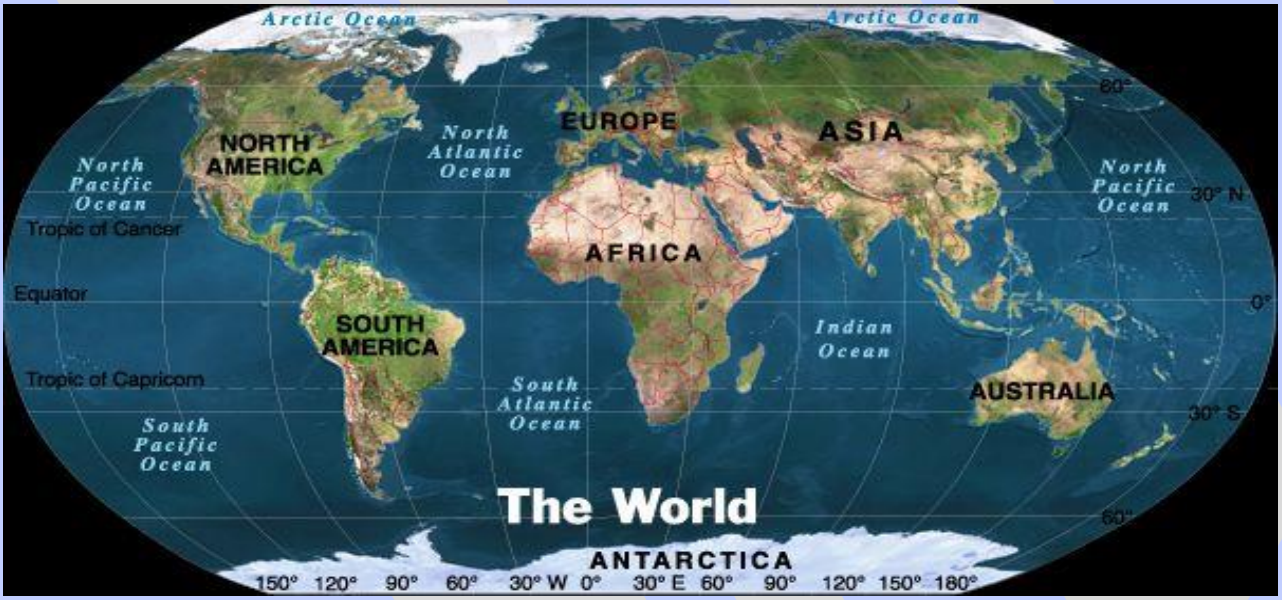
MGT. 205A



Daniel J.B. Mitchell

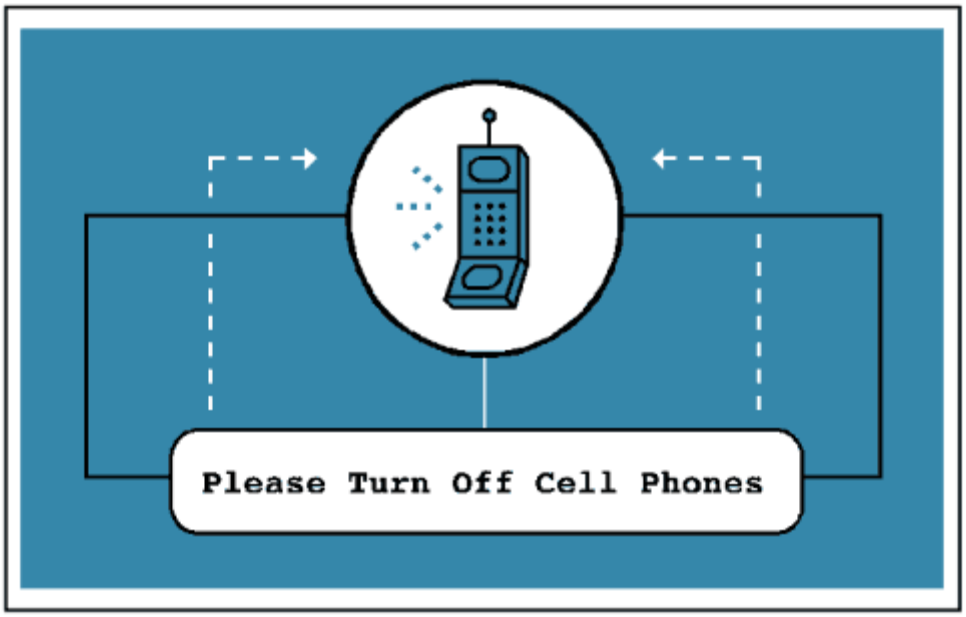
Ho-su Wu Professor

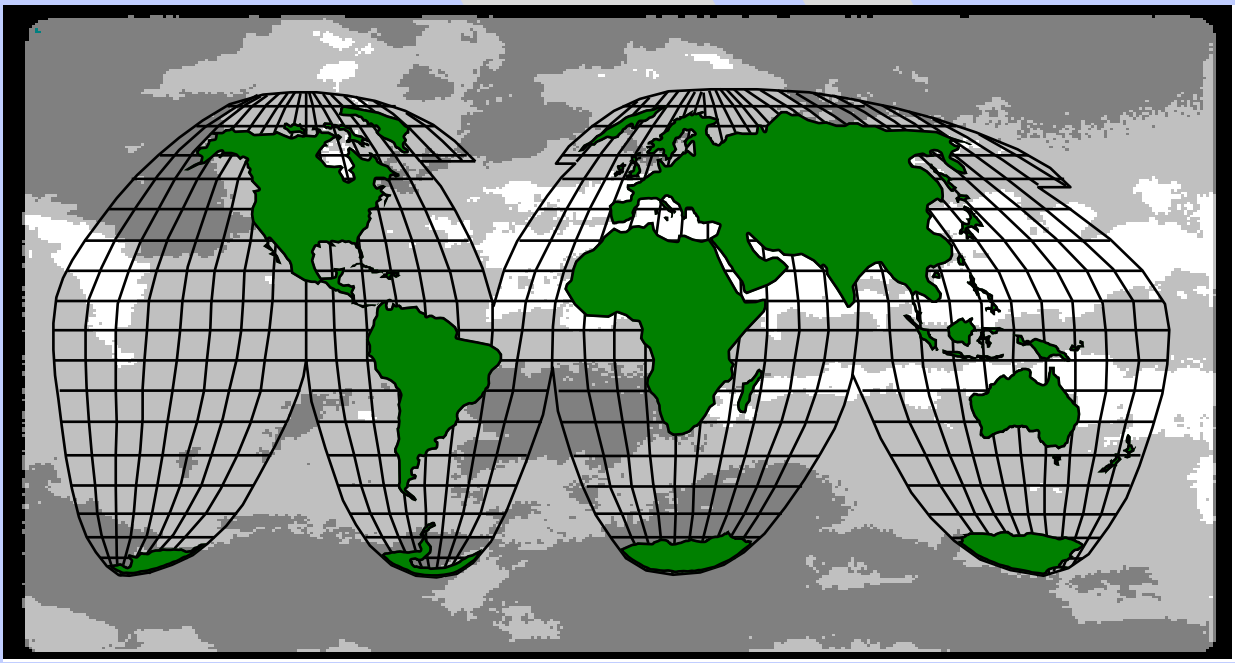
Anderson School

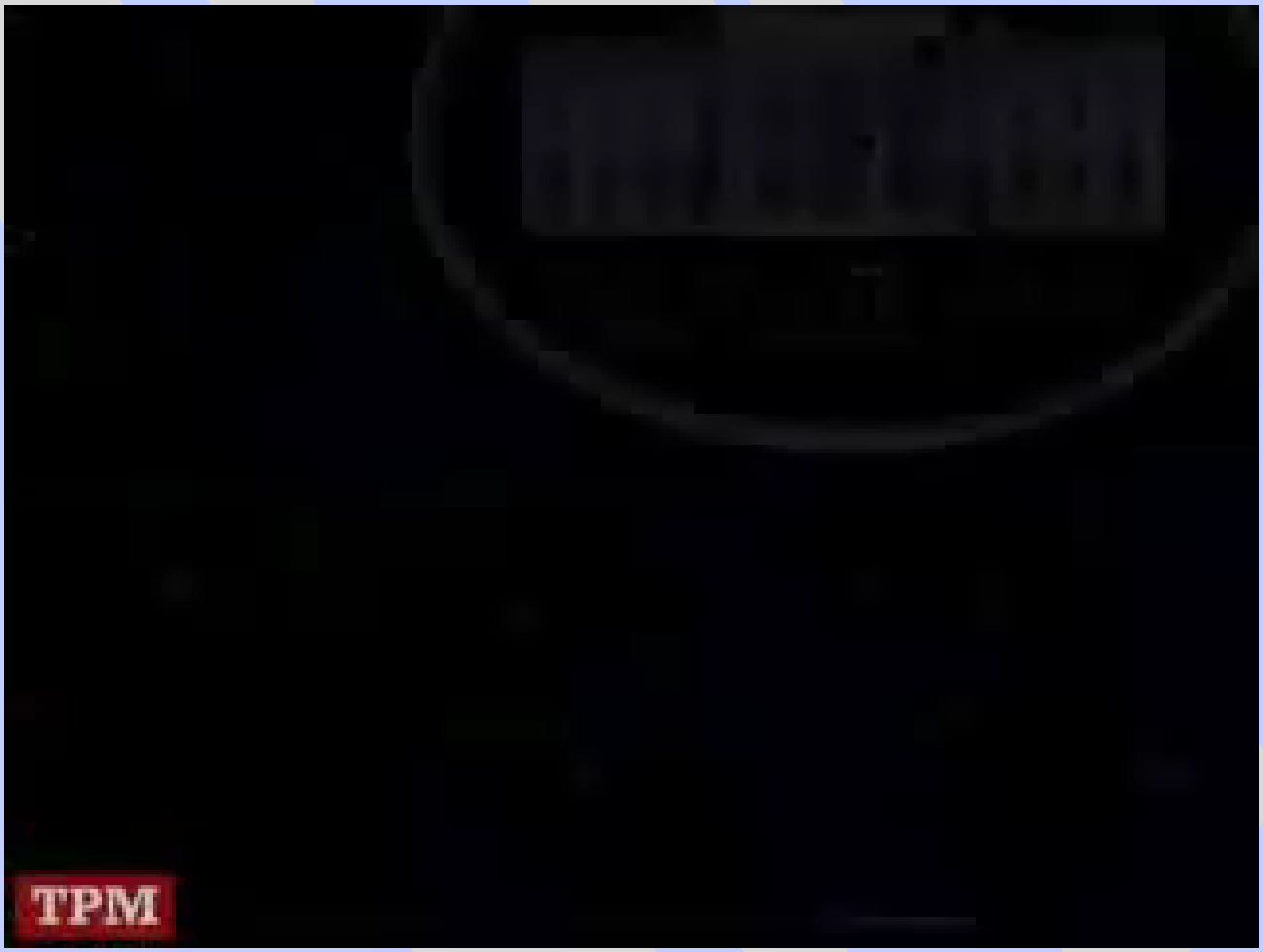
and

School of Public Affairs

Reminder



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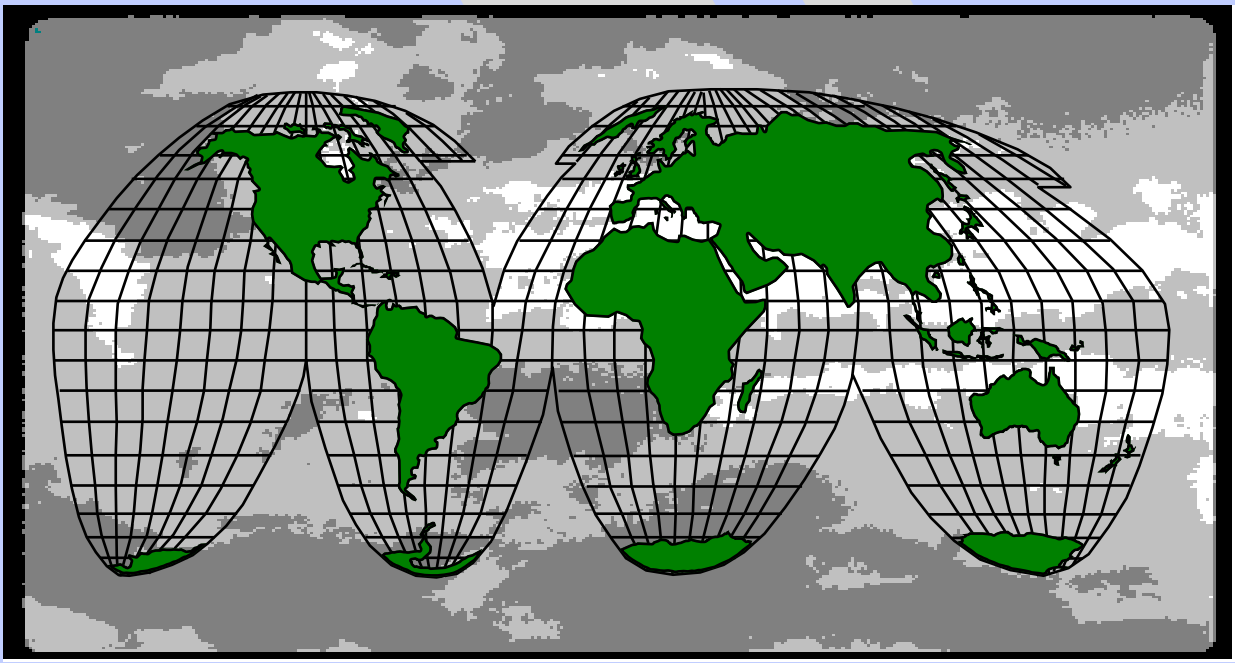
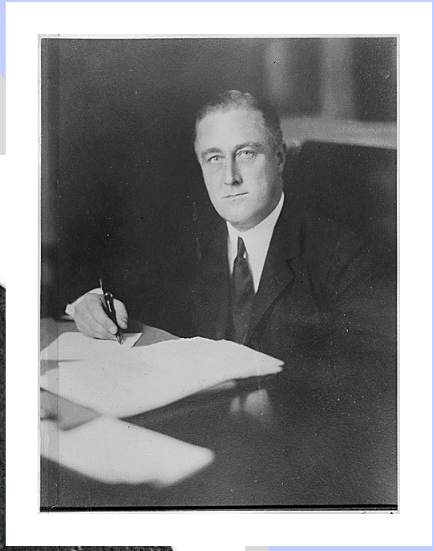
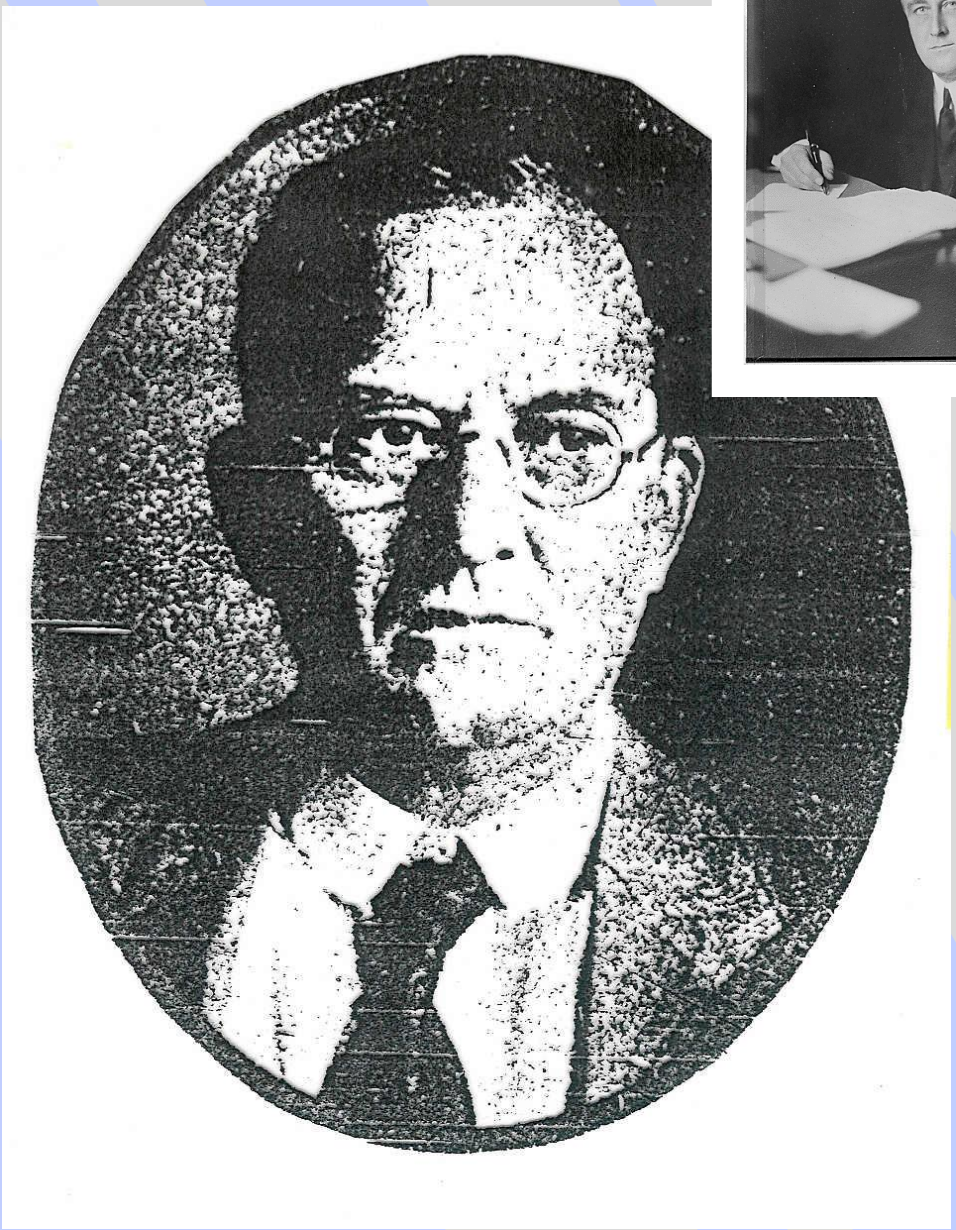






George F. Warren

"All the News That's Fit to Print."

The New York Times.

LATE CITY EDITION
WEATHER—Fair today; tomorrow cloudy, warmer, rain following
Temperature Yesterday—Max., 48; min., 24.

Copyright, 1933, by The New York Times Company.

VOL. LXXXII....No. 27,435. | Entered as Second-Class Matter, Postoffice, New York, N. Y. | NEW YORK, MONDAY, MARCH 6, 1933. | P | TWO CENTS In New York City. | THREE CENTS Within 200 Miles | FOUR CENTS Elsewhere Except in 7th and 8th Postal Zones

ROOSEVELT ORDERS 4-DAY BANK HOLIDAY, PUTS EMBARGO ON GOLD, CALLS CONGRESS

HITLER BLOC WINS A REICH MAJORITY; RULES IN PRUSSIA

Stay-at-Homes Turn Out and Give Government 52% of 39,000,000 Record Vote.

NAZIS ROLL UP 17,300,000

Get 44% of Total Poll and Even Wrest the Control of Bavaria From Catholics.

ELECTION IS PEACEFUL

Berlin Is Closely Guarded—The Stahlhelm Holds Parade Under Sunny Skies.

By FREDERICK T. BIRCHALL.
Special Cable to THE NEW YORK TIMES.

BERLIN, Monday, March 6.—With almost mathematical precision the results in yesterday's German elections for the Reichstag and the Prussian Diet bear out the predictions based on the pre-election campaign. Just as two and two make four, so suppression and intimidation have produced a Nazi-Nationalist triumph. The rest of the world may now accept the fact of ultra-Nationalist domination of the Reich and Prussia for a prolonged period with whatever results this may entail.

... o'clock this morning, when ...0 out of the Reich's eligible ... 44,000,000 counted and ...very indication of a prob... total vote of 90 per cent, exceeding all precedents Nazi-Nationalist control of the Reichstag was assured. The Nazis will have at least 288 seats and the Nationalists 53 more, giving them together 341 seats, or a clear 32 per cent in a total of 648.

The tabulated vote follows:

	Vote.	Seats.
National Socialists	17,300,000	288
Nationalists	3,100,000	53
Socialists	7,000,000	118
Communists	4,800,000	81
Centrists and Bavarian People's Party	5,500,000	91
People's Party and Allied Groups	1,014,000	12
State (Democratic)	333,000	5
Total	39,047,000	648

The Nazis have increased their vote to 44 per cent of the adult population, or 11 per cent over that of last November and 6¼ per cent over their previous high-water total of last July. The Nationalist increase is barely 1 per cent over their vote of last November. This, therefore, is a Nazi rather than a N...

Mob Attacked Stalin's Home In Wide Revolt, Tokyo Hears

Wireless to THE NEW YORK TIMES.

TOKYO, Monday, March 6.—Private information reaching Tokyo states that discontent due to famine conditions is so acute in Soviet Russia that a mob attacked Joseph Stalin's house in Moscow on Jan. 20 and was driven off by troops after 400 persons had been killed. Other reports from Siberia, partly corroborated by information reaching military circles here, indicate the farmers are in widespread revolt. Serious disturbances occurred at Irkutsk, and 80,000 men are said to have joined the revolt, including Communists and Red soldiers.

The Japanese discount a good part of these rumors, but they come from too many sources to be entirely ignored. It is believed these disturbances are much more serious than the Soviet Government has admitted.

CERMAK NEAR END; LAPSES INTO COMA

Death Is Imminent From Shot Aimed by Zangara at Roosevelt.

FAMILY AT HIS BEDSIDE

Third Transfusion Futile in 19-Day Fight to Save Chicago Mayor in Miami Hospital.

By The Associated Press.

MIAMI, Fla., Monday, March 6.—Physicians of Mayor Anton Cermak early this morning relinquished hope for his life.

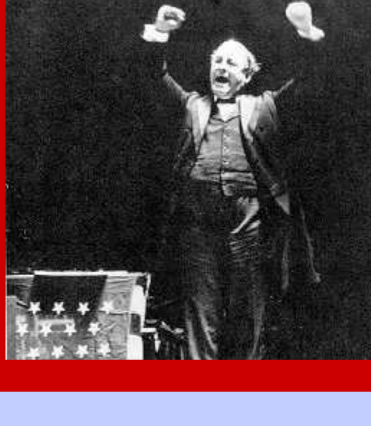
In a bulletin issued at 12:30 A. M. the physicians said that Mayor Cermak was in a condition of coma and that he probably would live only a few hours. The bulletin said Mr. Cermak was "falling rapidly."

It was issued after a third blood transfusion had been administered yesterday in an attempt to save his life.

The Mayor's right lung, punctured on the night of Feb. 15 by a bullet from the pistol of the assassin, Joseph Zangara, in an attempt to kill Franklin D. Roosevelt, was aspirated yesterday and physicians found a gangrenous condition.

Father Morrison of St. Bartholomew's Church in Chicago entered the sun parlor room at 1:15 A. M. Mayor Cermak's wife was a Roman Catholic and his children are of that faith.

Dr. Frederick Tice of Chicago told newspaper men at 1:23 A. M. that the Mayor probably would live an hour. He said Cermak's breathing ...



JAPANESE PUSH ON IN FIERCE FIGHTING; CHINA CLOSES WALL

Jehol Forces Offer Stoutest Resistance of Campaign as They Are Cornered.

BUT LOSE ANOTHER PASS

Chang's Troops at Kupei Bar Retreat Southward to the Peiping Area.

NANKING ADMITS DEFEAT

Asserts 'What Will Happen Next Depends on Military'—Tientsin Fears Clashes.

By The Associated Press.

TOKYO, March 5.—Rengo (Japanese) news agency dispatches from Chengteh (Jehol City) today said the final phase of the Japanese campaign in Jehol Province, a move to seize passes in the Great Wall north and northeast of Peiping, was producing some of the most bitter fighting of the whole drive. Cornered Chinese units were resisting desperately.

The Sixteenth Infantry Brigade of Major Gen. Tadashi Kawahara, en route to Koupei Pass through the wall, fought fiercely with remnants of the troops of Tang Yu-lin, Governor of Jehol Province, ten miles west of the provincial capital, Chengteh. Thereafter the detachment advanced to Changshanku, which is sixteen miles northeast of the pass.

Marshal Chang Hsiao-liang, military commander of North China, was reported to have sealed the pass against Governor Tang and his followers. Governor Tang himself was reported to have fled to Fengning, which is about forty miles northwest of Chengteh.

Pass in Wall Taken.

Fighting in the shadow of the Great Wall preceded the occupation by the Fourteenth Infantry Brigade of Major Gen. Heijiro Hattori of Fanchia Pass, which is one of three important Great Wall passes south of Chengteh. General Hattori faced a large Chinese force south of the wall.

Major Gen. Kaoru Nakamura, commanding the Thirty-third Infantry Brigade, en route from Lingyau to Chichiling Pass, summoned an air squadron to aid him before he succeeded in routing remnants of Marshal Chang's Sixteenth Brigade.

The Fourth Cavalry Brigade of Major Gen. Kennosuke Mogi, pushing on from Chihfeng, 100 miles ...

Relief Wages Will Be Paid Despite Holiday, Gibson Says

Harvey D. Gibson, chairman of the Emergency Unemployment Relief Committee, declared yesterday that the bank holiday would not interfere with the payment of wages to unemployed men and women holding emergency jobs through the committee's work and relief bureau.

"Emergency wages must be paid and some way must be found to pay them," Mr. Gibson said. "I have no doubt that we will find a way to do it. We are not worried about it at all. Arrangements can certainly be made to meet the emergency relief payroll."

The weekly payroll of the committee exceeds $1,000,000.

BEWILDERED CITY STILL PAYS IN CASH

Faces Use of Scrip Calmly and Continues to Patronize the Theatres and Stores.

HOPEFUL MOOD PREVAILS

Merchants and Travel Lines Uncertain on Use of Tender—Many Extending Credit.

Bewildered but still cheerful, the city followed its usual routine yesterday, talked of the possibility of using scrip instead of cash, but still patronized the movie theatres, restaurants and concert halls.

Railroads reported, generally, that there had been no appreciable decrease in week-end travel, that there had been "no embarrassment" and that they were carrying on as usual, on an all-cash basis.

A spokesman for the Pennsylvania Railroad reported that the outward movement yesterday was good and an official of the New York Central reported everything going smoothly with enough cash on hand to meet all the road's needs for the present, including payrolls.

One form of nuisance cropped up at Pennsylvania Station. It started Saturday night, when persons with banknotes of large denominations demanded change. There was a tremendous number of $100 notes, quite a few $500 notes and even a few $1,000 notes were presented for change. One or two of the more timid persons tried to cover up their real purpose by buying Newark tickets.

Railroads Accept Only Cash.

None of the railroads is accepting anything but cash for transportation. This is in accord with general practice, an official pointed out, and up to yesterday no change in that plan had been proposed. Officers of the New York Central Railroad held a special meeting yesterday apparently to arrange for eventualities that might arise from the banking situation, but no decision was reached so far as could be learned.

Airplane lines and steamship lines, on the other hand, were accepting checks from old clients and were following a policy of being "reasonable" about accepting checks from other customers.

"We will maintain a sensible and reasonable attitude during this crisis," said John Gammie, assistant manager of the Cunard Line. "We will try to carry on much as we did in ordinary times. We haven't taken up the matter of scrip, but it is likely that a meeting of steamship line officials may ...

BANKS HERE ACT AT ONCE

City Scrip to Be Ready Today or Tomorrow to Replace Currency.

EMERGENCY STEP PRAISED

Financiers Look for Little Interruption in Business Under Federal Program.

'TRUST DEPOSITS' TO AID

Cash Now Can Be Placed in New Accounts and Drawn Upon Without Limitation.

Clearing House certificates will be issued in New York, if needed, just as soon as they are printed, possibly today and probably not later than tomorrow, as a result of President Roosevelt's proclamation of last night.

The President's emergency decree not only made the banking holiday national and extended it through Thursday when Congress meets in special session, but it also gave the banks permission to issue scrip in the form of Clearing House certificates to take the place of regular currency.

Thus there will be little or no interruption in the ordinary routine of New York's business affairs, which can be carried on with scrip as a substitute medium of exchange just as well as with other currency. Paychecks, for instance, would be converted into scrip by the banks, which would be open for that purpose and for receiving new deposits.

Leading bankers indicated their approval of the President's proclamation last night and signified their belief that the use of scrip would be just as successful in New York as it was in the 1907 panic.

May Pay in Currency.

There is a possibility, some bankers said, that the New York banks might pay out currency when they reopen in place of, or in addition to, clearing house certificates. Such action would be possible only with the express permission of the Secretary of the Treasury under the President's order. These bankers said that the local banks have large amounts of till money on hand and that they could, if permitted, meet substantial demands from their depositors out of these cash holdings. From the standpoint of the central banking system the paying out of this till money to the public would have no effect upon the position of the national currency, since it is already a part of total money in circulation.

Subject always to the sanction of the Secretary of the Treasury, the banks will be able, under the President's proclamation, to operate along nearly normal lines. Under the provision for creation of special trust accounts, business men, merchants and wage earners will be able to find a safe depository for any cash, they receive instead of having to face the dangers of carrying large amounts of currency. Those who withdrew money from the banks just before the shutdown and who have since been worrying about its safety will be able to redeposit the funds in special trust accounts and be assured of getting it back again without limitation.

Lehman Defers State Action.

When informed of the President's ...

The President's Bank Proclamation

Special to THE NEW YORK TIMES.

WASHINGTON, March 5.—The text of President Roosevelt's proclamation on the banking situation, issued at the White House at 11 o'clock tonight, was as follows:

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A Proclamation

WHEREAS there have been heavy and unwarranted withdrawals of gold and currency from our banking institutions for the purpose of hoarding; and

WHEREAS continuous and increasingly extensive speculative activity abroad in foreign exchange has resulted in severe drains on the nation's stocks of gold; and

WHEREAS these conditions have created a national emergency; and

WHEREAS it is in the best interests of all bank depositors that a period of respite be provided with a view to preventing further hoarding of coin, bullion or currency or speculation in foreign exchange and permitting the application of appropriate measures to protect the interests of our people; and

WHEREAS it is provided in Section 5 (b) of the act of October 6, 1917 (40 stat. L. 411) as amended, "that the President may investigate, regulate or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange and the export, hoarding, melting or earmarkings of gold or silver coin or bullion or currency * * *";

WHEREAS it is provided in Section 16 of the said act "that whoever shall wilfully violate any of the provisions of this act or of any license, rule or regulation issued thereunder, and whoever shall wilfully violate, neglect or refuse to comply with any order of the President issued in compliance with the provisions of this act, shall, upon conviction, be fined not more than $10,000 or, if a natural person, imprisoned for not more than ten years or both * * *";

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, PRESIDENT OF THE UNITED STATES OF AMERICA, IN VIEW OF SUCH NATIONAL EMERGENCY AND BY VIRTUE of the authority vested in me by said act and in order to prevent the export, hoarding or earmarking of gold or silver coin or bullion or currency, do hereby proclaim, order, direct and declare that from Monday, the sixth day of March, to Thursday, the ninth day of March, nineteen hundred and thirty-three, both dates inclusive, there shall be maintained and observed by all banking institutions and all branches thereof located in the United States of America, including the Territories and Insular Possessions, a bank holiday, and that during said period all banking transactions shall be suspended.

During such holiday, excepting as hereinafter provided, no such banking institution or branch shall pay out, export, earmark or permit the withdrawal or transfer in any manner or by any device whatsoever of any gold or silver coin or bullion or currency or take any other action which might facilitate the hoarding thereof; nor shall any such banking institution or branch pay out deposits, make loans or discounts, deal in foreign exchange, transfer credits from the United States to any place abroad, or transact any other banking business whatsoever.

During such holiday, the Secretary of the Treasury, with the approval of the President and under such regulations as he may prescribe, is authorized and empowered (a) to permit any or all of such banking institutions to perform any or all of the usual banking functions, (b) to direct, require or permit the issuance of clearing house certificates, or other evidences of claims of assets of banking institutions, and (c) to authorize and direct the creation in such banking institutions of special trust accounts for the receipt of new deposits which shall be subject to withdrawal on demand without any restriction or limitation and shall be kept separately in cash or on deposit in Federal Reserve Banks or invested in obligations of the United States.

As used in this order the term "banking institutions" shall include all Federal Reserve Banks, national banking associations, banks, trust companies, savings banks, building and loan associations, credit unions, or other corporations, partnerships, associations or persons, engaged in the business of receiving deposits, making loans, discounting business paper, or transacting any other form of banking business.

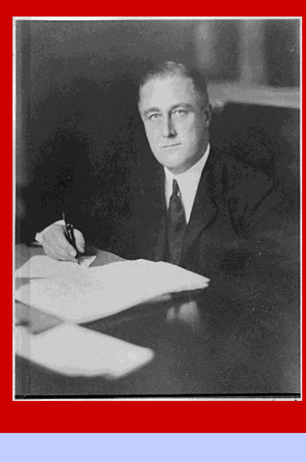
IN WITNESS WHEREOF I have hereunto set my hand and caused the seal ...

Done in the ... in the year of ... three, and of the ... dred and fifty-...

By the Presiden...
CORDELL ...
Secretary ...

ROOSEVELT ... GOVERNO...

Conference Wi... Bank Problem...



USE OF SCRIP AUTHORIZED

President Takes Steps Under Sweeping Law of War Time.

PRISON FOR GOLD HOARDER

The Proclamation Provides for Withdrawals From Banks Against New Deposits.

CONGRESS SITS THURSDAY

Day of Conference With the Cabinet and Financial Men Precedes the Decree.

Special to THE NEW YORK TIMES.

WASHINGTON, March 5.—To prevent the export, hoarding or earmarking of gold or silver, coin or bullion or currency, President Roosevelt issued a proclamation at 11 o'clock tonight, in which he ordered a bank holiday from tomorrow through Thursday, March 9. Earlier in the day he had summoned a special session of Congress to meet on Thursday.

This sweeping action was taken after a day of conferences, among officials and bankers, the President taking recourse to war powers granted under the trading-with-the-enemy act.

As a result of the proclamation all banking activities will be suspended during the holiday, except as permitted by regulations of the Secretary of the Treasury, thus taking this country technically off the gold standard until the four-day period expires.

In order that there may not be a complete suspension of all banking and exchange operations, the proclamation authorizes the issuance of Clearing House certificates, which may be used as currency until the banks return to more normal functioning.

Points of the Proclamation.

The main points in the proclamation are:

1. A national banking holiday from March 6 to March 9 inclusive.

An embargo on the withdrawal of gold and silver for export or domestic use during that period, except with permission of the Secretary of the Treasury.

3. The issuance of Clearing House certificates or other evidence of claims against the assets of banking institutions to permit business to carry on.

4. Authorization to banking institutions under regulations of the Secretary of the Treasury to receive new deposits and make ...

TWO CENTS

DOLLAR REVALUED AT 59.06, GOLD PUT AT $35 AN OUNCE; STABILIZATION FUND SET UP

Stocks Leap to New Highs in San Francisco; Eastern Buying a Factor in Huge Turnover

SAN FRANCISCO, Jan. 31.—In the most spectacular advance in many a day, security prices on the exchanges went into new high ground on a great wave of late buying today. Turnover on the Stock Exchange reached the highest peak since July, 1932, as [illegible] shares changed hands.

The bullish speculation was apparently set off by announcement from Washington of the gold price, which came too late to affect trading on Eastern exchanges. Much of the buying here was reported to be in response to Eastern orders.

The advance started in the gold shares as Natomas rose to an all-time high at [illegible], up [illegible]. Alaska Juneau proved a new high at [illegible], up [illegible]. On the Curb, Argonaut Mining led advances as it soared to a new high at [illegible], and Idaho Maryland climbed [illegible] cents to $[illegible].

Industrial issues followed closely as Caterpillar gained [illegible], California Packing 1 and Paraffine 1, while many recorded smaller gains. Coast Counties Gas preferred jumped 6 points to 70 to lead utilities, while Wells Fargo Bank added [illegible] points to reach [illegible].

Advances on the Curb Exchange were slightly less spectacular, [illegible] changes for the day were smaller, but recoveries from early

GOLD BULLION STANDARD

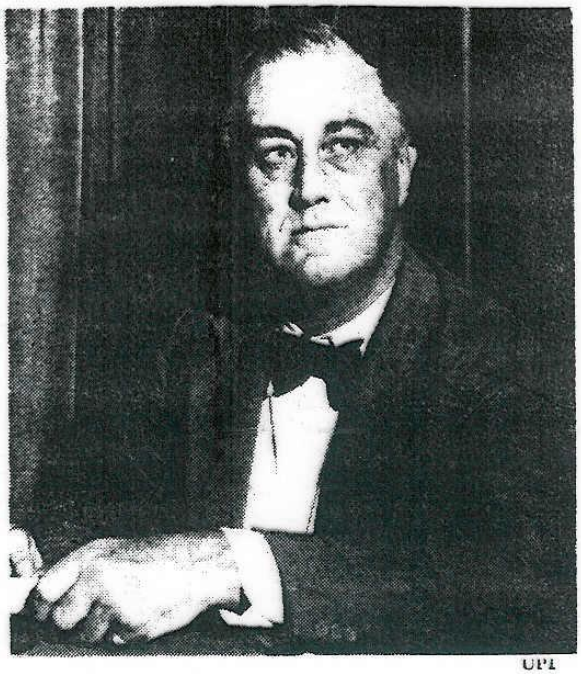
Metal to Be Sold at $35 as Well as Bought to Steady the Dollar.

$2,792,859,128 THE PROFIT

The President in Proclamation Reserves Right of Further Changes Under Law.

BASES ACT ON EMERGENCY

FDR's shocker: The 1934 devaluation set the gold price for 37 years

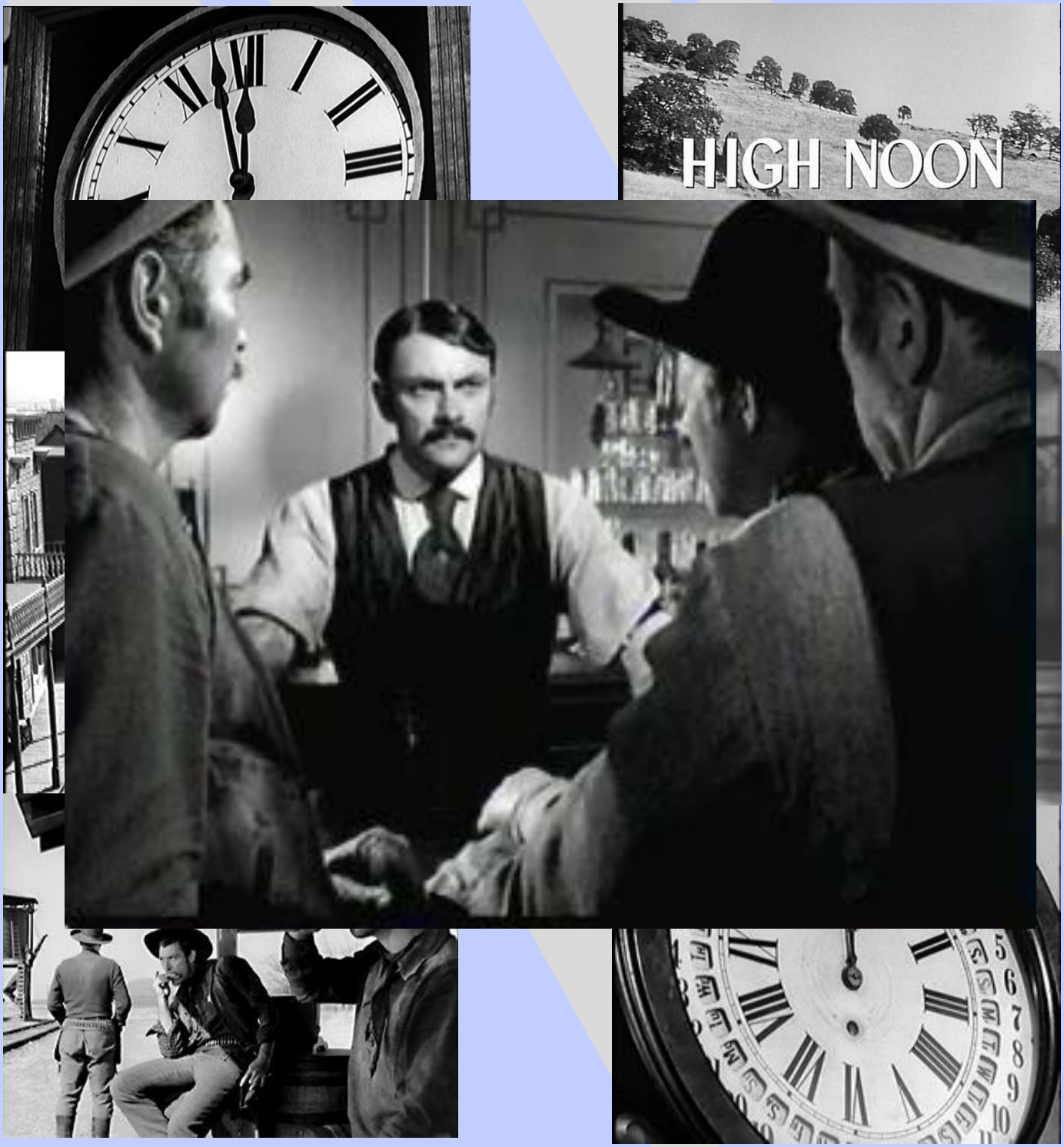


UPI

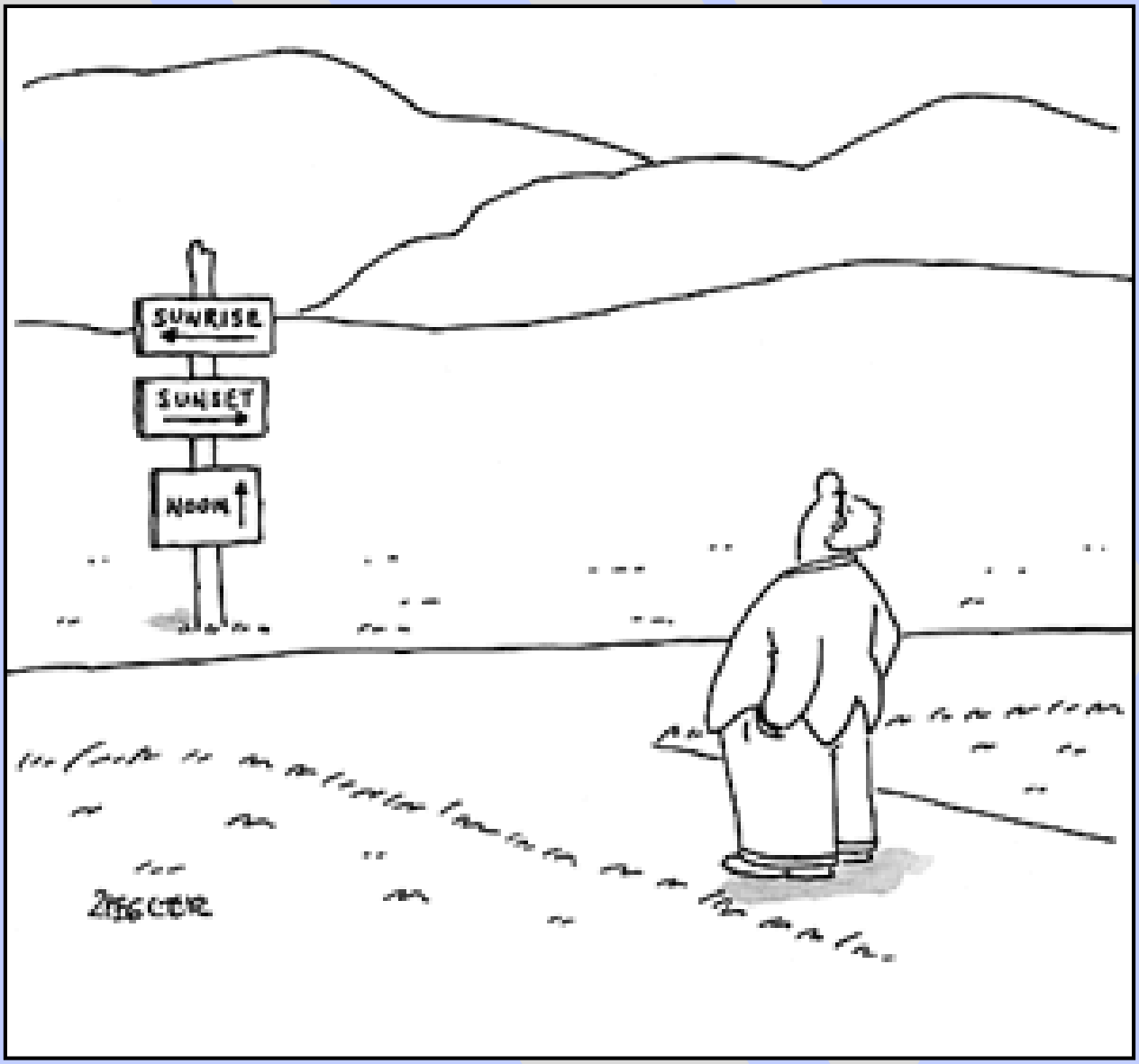
Hollywood Film

STANLEY KRAMER PRODUCTIONS presents
GARY COOPER
THERE IS NOTHING UNDER THE SUN
LIKE THE HIGH ADVENTURE OF "HIGH NOON"!
"HIGH NOON"
STANLEY KRAMER PRODUCTIONS presents GARY COOPER in "HIGH NOON"

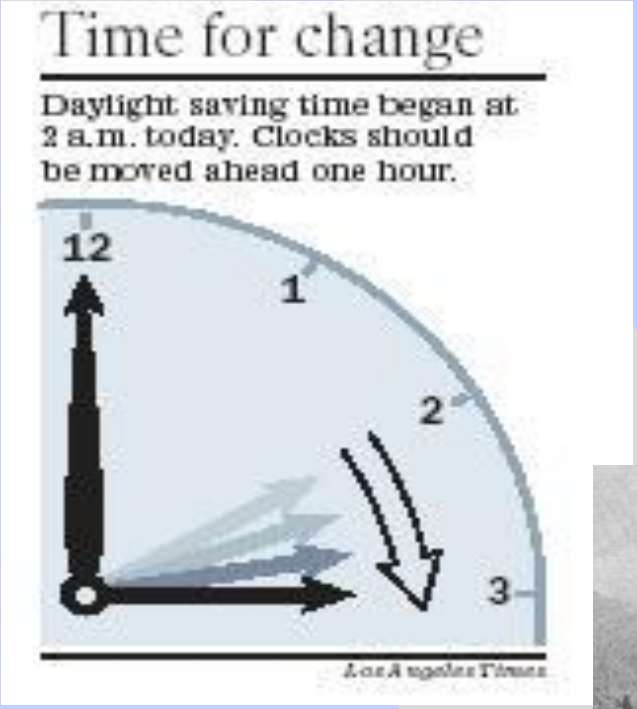
HIGH NOON

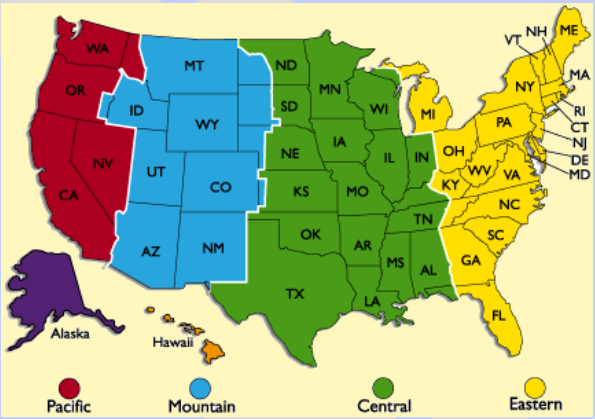

HIGH NOON

Question: What is Noon?

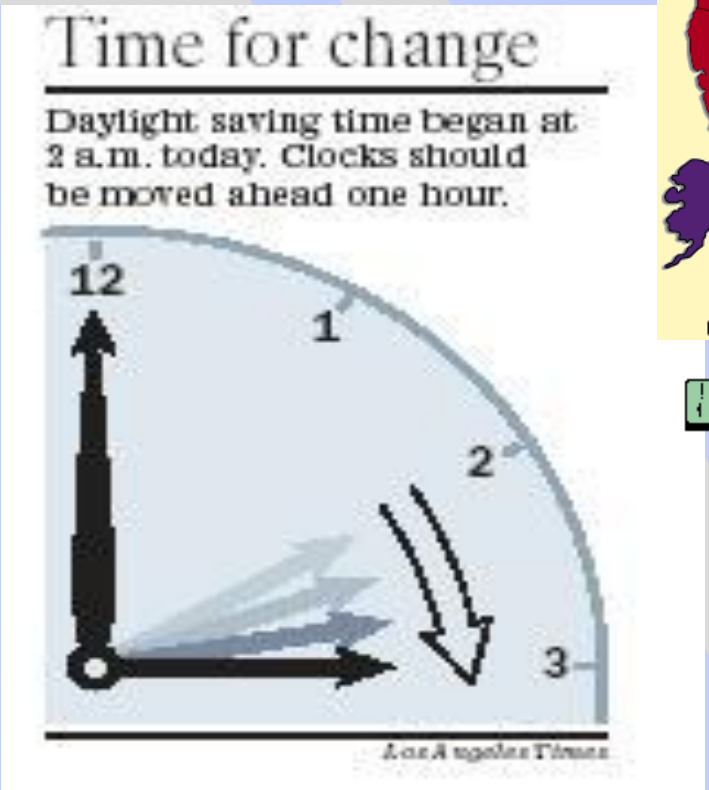

SUNRISE
SUNSET
NOON

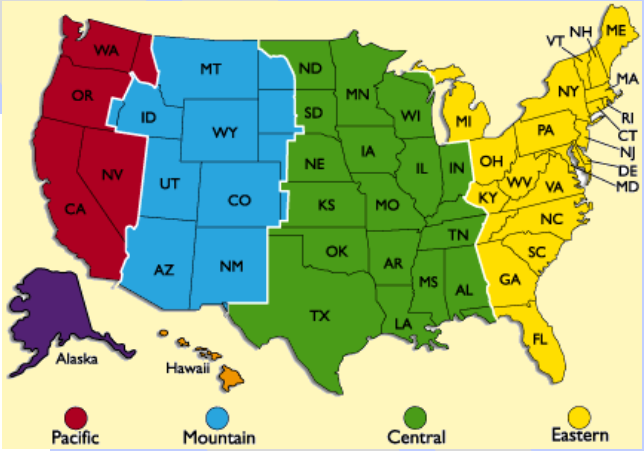
November 18, 1883



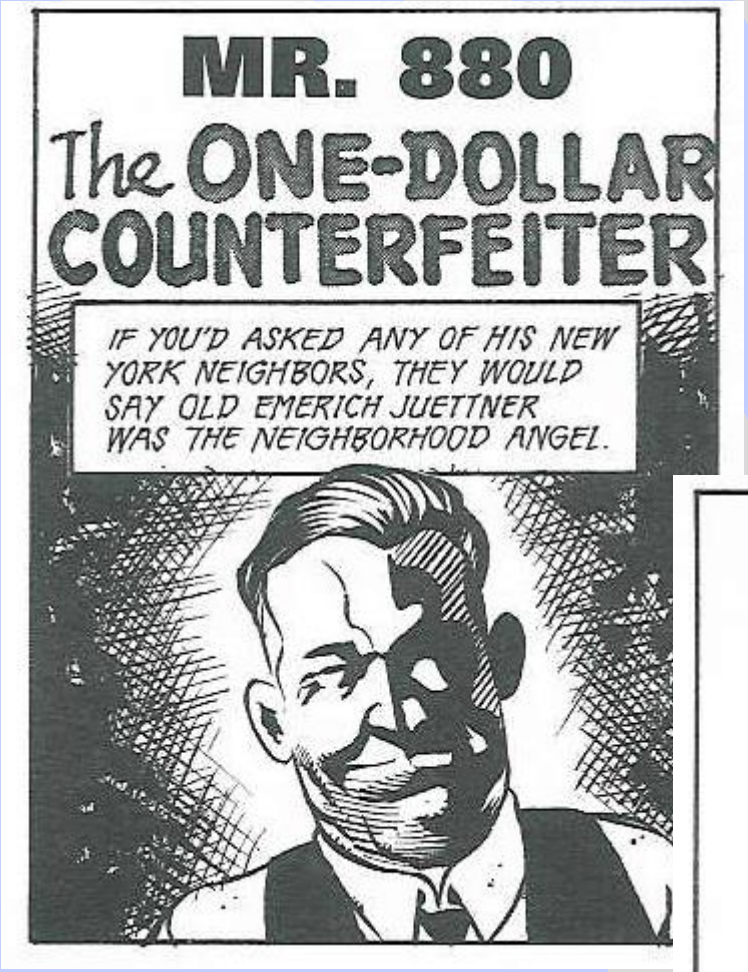


Money as a “Standard”





Money as a "Standard"



Emerich Juettner

Money as a "Standard"

Emerich Juettner

Money as a “Standard”

Emerich Juettner

What is a “dollar”?

Joachimsthal

Joachimsthaler

thaler

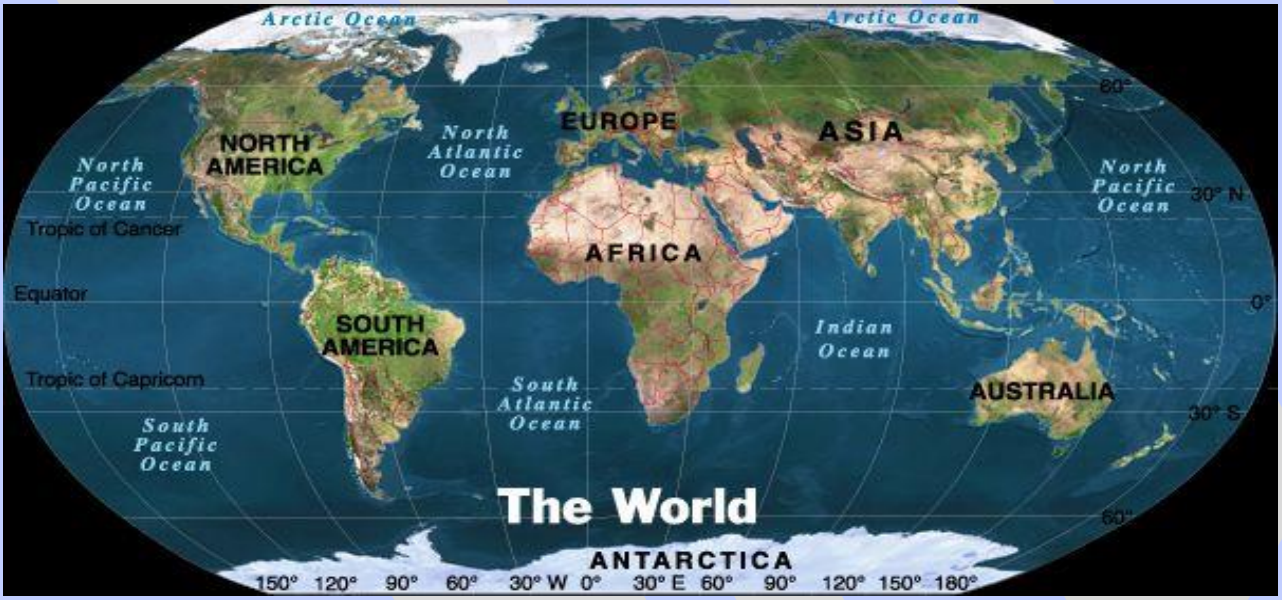
dollar

Great Depression of the 1930s

- Hoover gold policy
- Roosevelt goes off gold
- Roosevelt returns to gold
- $35/oz.
- Pre-WWII jitters leads to golden avalanche

The vaultlike U.S. Bullion Depository at Fort Knox, Kentucky.

MGT. 205A



Daniel J.B. Mitchell

Ho-su Wu Professor

Anderson School

and

School of Public Affairs

Path Dependency

What is this?

Mt. Washington Hotel

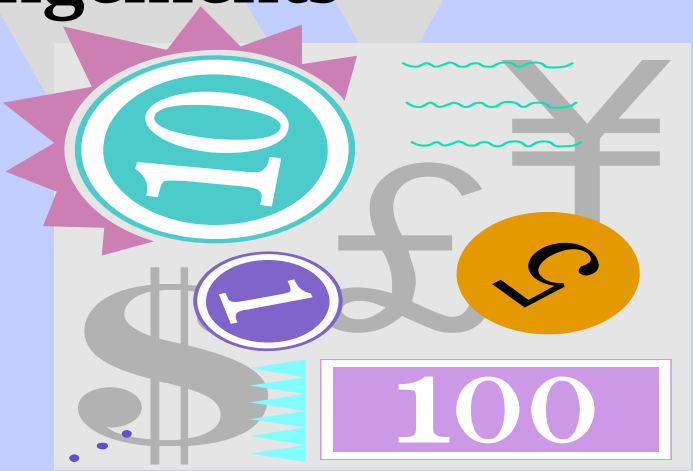
Where is it?

Bretton Woods, N.H.

1944: Bretton Woods Conference

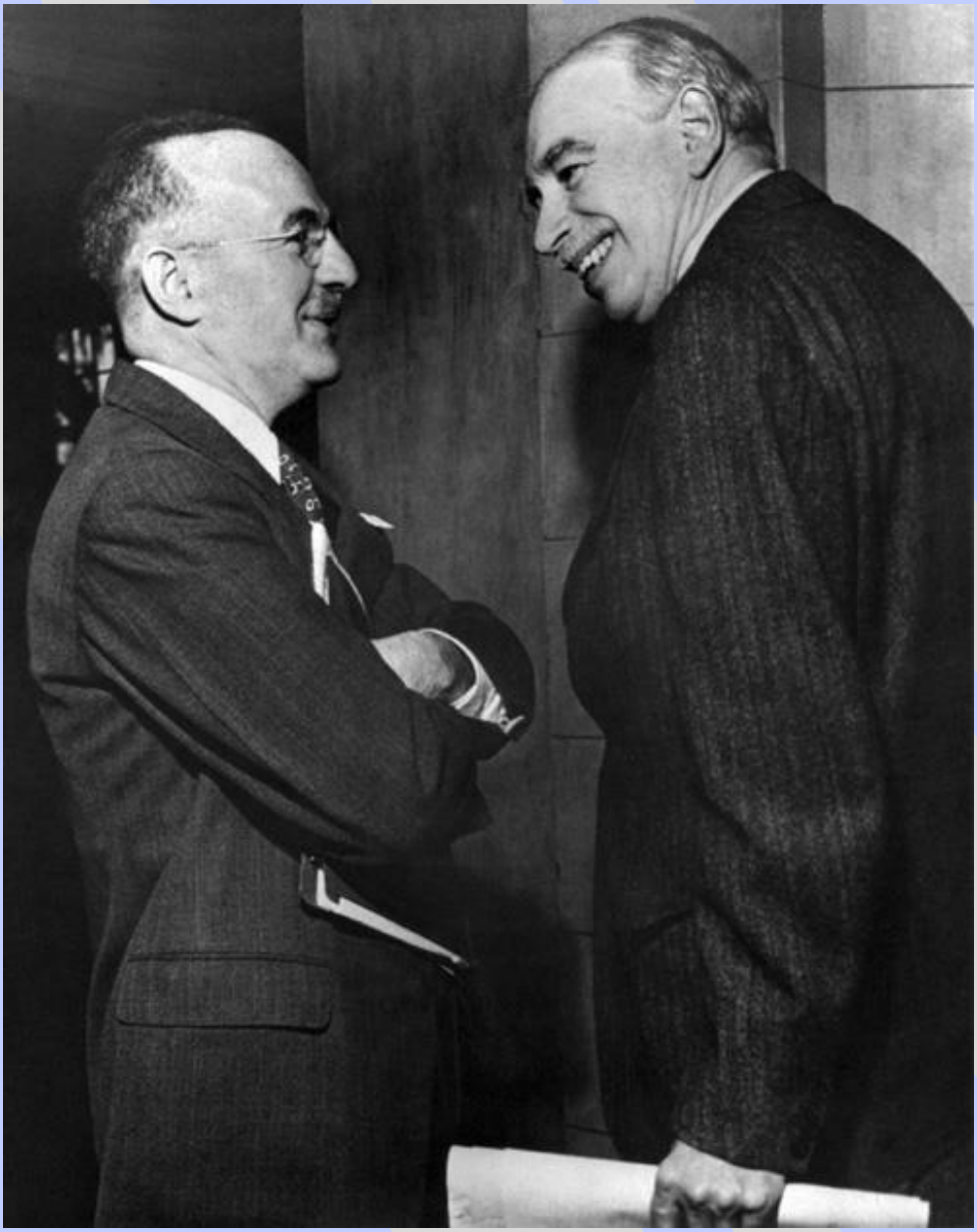
Post-World War II

- Bretton Woods agreement of 1944
- Actual operation of the Bretton Woods system
- Breakdown of Bretton Woods
- The Smithsonian agreement of 1971
- Breakdown of the Smithsonian system
- Current arrangements
- The future



Bretton Woods: Key Decisions

- Fixed exchange rate system with narrow bands
- Par values with dollar as key currency
- Dollar linked to gold at $35/oz.
- IMF



Harry Dexter White (left) and John Maynard Keynes (right)

Available Models

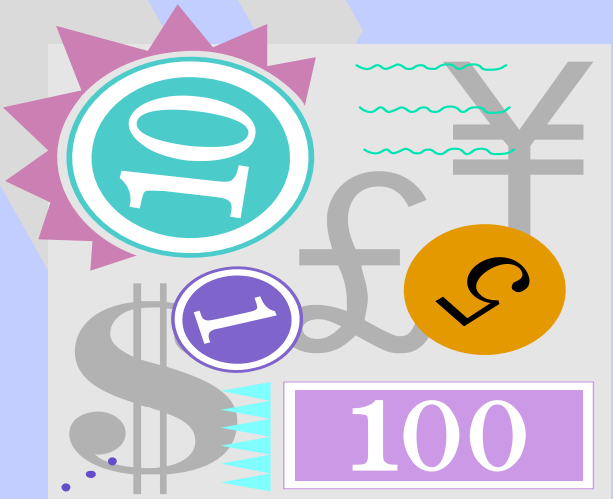
Bretton Woods: International Monetary Fund

- 2 options:

  UK (Keynes) plan for IMF as world central bank

  US (White) plan for IMF as financial intermediary

- Acceptance of White
- The quota system
  - Funding source
  - Voting strength



Original 1944 Quota Plan: *($8,147.5 million)*

US:	**$2,750 million**
UK:	**$1,300 million**
USSR:	**$1,200 million**
China:	**$550 million**
France:	**$450 million**
India:	**$400 million**
Canada:	**$300 million**
Holland:	**$275 million**
Belgium:	**$225 million**
Australia:	**$200 million**

The Original IMF Quota System: Start

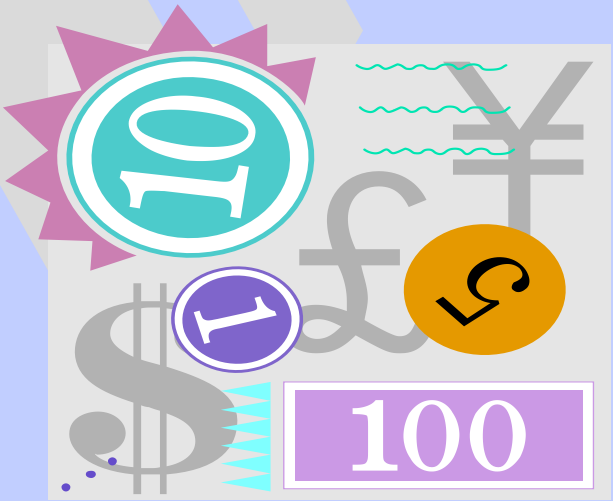
Example: Quota = $100

Gold tranche_____$25

Payable to IMF in gold or dollars

Remainder_____$75

Payable to IMF in own currency



The Original IMF Quota System: Start

Example: Quota = $100

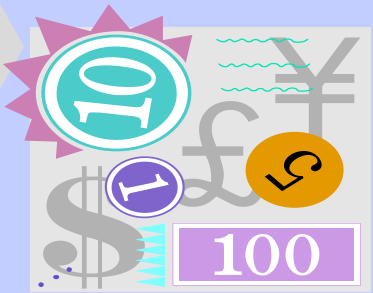
Gold tranche_____$25

Payable in gold or dollars

Remainder_____$75

Payable in own currency

Initial "Reserve Position" in the IMF available on demand



The Original IMF Quota System: Later

Example: Quota = $100

Holding of country's currency_____$80

Reserve position___$20

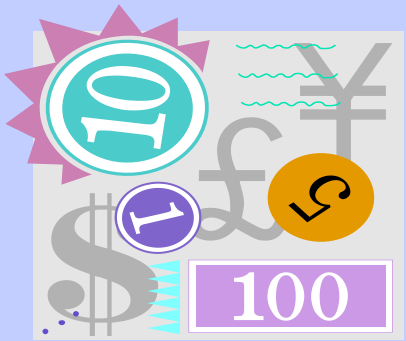
Available on demand

Because holdings of the country's currency have risen above 75% of quota, reserve position is reduced.

Fundamental Disequilibrium

(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.



Article IV, Section 5 from the Articles of Agreement of the IMF

Fundamental Disequilibrium?

range: today 44-36; Sat. 30-35. Full United States report on Page 95.

SECTION ONE

NEW YORK, SUNDAY, NOVEMBER 19, 1967 — 60c beyond 50-mile zone from New York City, except Long Island. Higher in air delivery cities. — 40 CENTS

KENNEDY ASSERTS A BID BY M'CARTHY WOULD AID PARTY

Says Minnesotan's Entry in Primaries Could Channel Vietnam Frustrations

By RALPH BLUMENTHAL

Special to The New York Times

TARRYTOWN, N. Y., Nov. 18—Senator Robert F. Kennedy said today "it" would be a healthy influence on the Democratic party" for Senator Eugene J. McCarthy of Minnesota to enter the race for the Democratic nomination for President.

"It would add a great deal of excitement and interest to the Democratic party," the New York Democrat said. "It would allow Americans to take out their frustration [over the Vietnam war] in talk instead of violence. It could be a major, important service, for our society."

The Senator, addressing an enthusiastic crowd of about 1,000 girls and nuns at Marymount College here, did not, however, make any direct expression of support for Senator McCarthy.

Decision Awaited

He noted that Mr. McCarthy had not yet announced his decision whether to run.

Senator Kennedy's comments today—in response to a question from a student in the audience—were his first appraisal of Senator McCarthy's possible entry in the Democratic Presidential race. Earlier this week, in an interview on a Columbia Broadcasting System news show, he said only that he

BRITAIN DEVALUES POUND TO $2.40 TO AVERT A NEW ECONOMIC CRISIS; SEVERE RESTRAINTS ARE IMPOSED

PRESIDENT REACTS

Promises to Maintain Value of the Dollar—Calls Step 'Healthy'

Text of Johnson's statement will be found on Page 79.

By EILEEN SHANAHAN

Special to The New York Times

WASHINGTON, Nov. 18—President Johnson tonight reaffirmed "unequivocally" the commitment of the United States not to devalue the dollar. He pledged that the country would continue "to buy and sell gold at the existing price of $35 an ounce."

The President's statement, and a separate announcement by the International Monetary Fund, indicated that both the United States Government and financial officials around the world expected that the British action would not necessarily affect the values of most other currencies.

The consequences for the United States economy, if these hopes are fulfilled, may therefore be limited to some reductions in the price of Scotch whisky and other British prod-

United Press International Cablephoto

AT 10 DOWNING STREET: Prime Minister Wilson as he waved good-by to guests yesterday in London. Later, his Labor Government's decision to devalue the pound was announced by James Callaghan, Chancellor of the Exchequer.

Higher Costs for Britons

By ALVIN SHUSTER

REDUCTION IS 14.3%

Curbs Include a Basic Interest Rate of 8% and Spending Cuts

Text of the British Treasury's statement is on Page 78.

By ANTHONY LEWIS

Special to The New York Times

LONDON, Nov. 18—Britain devalued the pound tonight.

The official value was lowered 14.3 per cent, from $2.80 to $2.40. The announcement was made at 9:30 P.M. (4:30 P.M., New York time) and the new rate was effective immediately.

The devaluation meant that a long struggle to maintain a chronically weak currency at the rate set in 1949 had ended in defeat for the Labor party Government. The consequences for the British people and for the world monetary system just began to be sensed tonight.

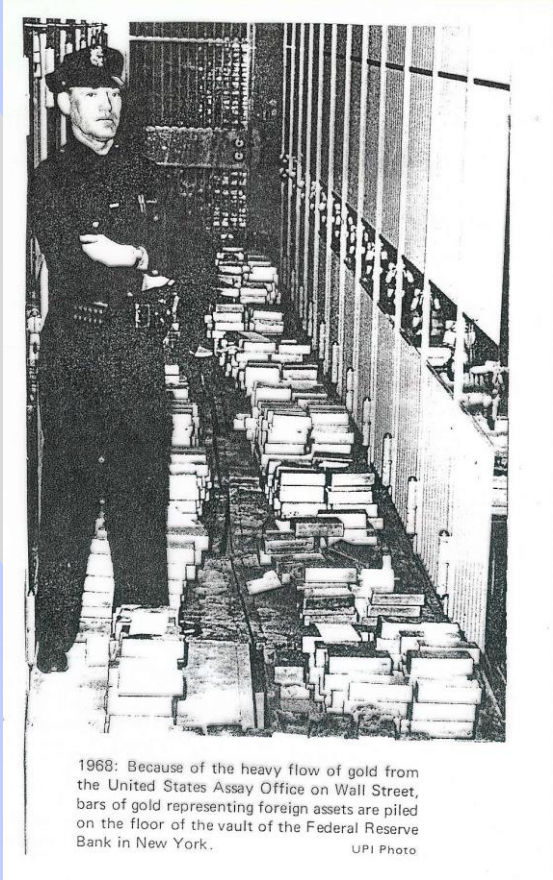
The move was made in an attempt to lower the cost of British goods in foreign countries in the hope that exports would rise, and to increase the price of imports in the hope that they would be reduced.

Bretton Woods: Problems

- **Instability of a two-reserve system (gold and dollar)**
- **Gold problem**

  Price fixed at $35/oz.

  Short-term fix: 2-tier gold (1968)



1968: Because of the heavy flow of gold from the United States Assay Office on Wall Street, bars of gold representing foreign assets are piled on the floor of the vault of the Federal Reserve Bank in New York. UPI Photo

The Weather
Today—Rain ending, clear and mild by afternoon. High in mid-60s. Monday—Fair and warm. Probability of precipitation, 30% today, 10% tonight. Temp. range: Today, 65-45; Yesterday, 68-40. Details, Page C15.

The Washington Post

Times Herald

91st Year · No. 103 · © 1968, The Washington Post Co. · SUNDAY, MARCH 17, 1968 · Phone 223-6000 Circulation 223-6100 Classified 223-6200 · 25c

Index 310 Pages 14 Sections

Amusements	G 1	Financial	F 1
City Life	C 1	Obituaries	C14
Classified	D11	Outdoors	D10
Editorials	B 6	Women's	H 1
Events	C15	Sports	D 1
Fed Diary	A22	Travel	G 8

Table of Contents, Page A2

LBJ Seeks Austerity, Victory; Kennedy Vows New Policies

By Margaret Thomas—The Washington Post

The Senator: "My desire is not to divide the strength of those forces seeking a change, but to increase it."

'I'm in It to Win,' Senator Declares

By David S. Broder
Washington Post Staff Writer

Sen. Robert F. Kennedy of New York entered the Democratic presidential race yesterday with a pledge to change "the disastrous, divisive policies" of President Johnson in Vietnam and at home.

Kennedy offered to help the President's earlier, anti-Vietnam war challenger, Sen. Eugene J. McCarthy (D-Minn.), in some upcoming primaries, but staked out his own claim to running room in the key tests next May and June in Nebraska, Oregon and California, which McCarthy has also entered.

"I am in it to win," he told a nationally televised press conference in the crowded caucus room of the Old Senate Office Building.

McCarthy, hopeful of victory himself after his surprisingly strong showing against the President in last Tuesday's New Hampshire primary, bluntly rejected the temporary alliance offered by Kennedy. "I'm not prepared to deal with anybody," he said.

Kennedy's announcement, expected since last Wednesday when he said he was "reassessing" his decision to stay out of the 1968 contest, plunged the Democratic Party into its most bitter internal battle in a generation.

Most observers and most Democratic leaders predicted the President -- as yet an undeclared candidate for renomination—would win the three-sided struggle, but many wondered whether he or his challengers could reunite the Party for victory in November.

The air was heavy with history and drama as Kennedy, preceded by his wife Ethel and nine of their ten children, came into the television lights of the caucus room to make his announcement.

His unruly hair carefully combed down over his forehead, he stood at the spot where his brother John had stood on Jan. 2, 1960, to open the campaign that won him from Kennedy yesterday before the Senator's public announcement. Kennedy said he would be "running in harmony" with Sen. Eugene J. McCarthy (D-Minn.).

"Fully aware of the deep di-

McCarthy Is Scornful Of Rival

By Richard Harwood
Washington Post Staff Writer

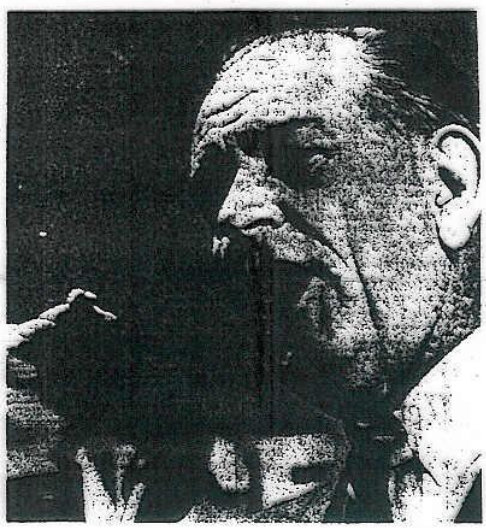
GREEN BAY, Wis., March 16—Sen. Eugene J. McCarthy greeted Sen. Robert F. Kennedy's entrance into the presidential race today with rarefied contempt and no change of plans.

It may be a "plus," he said, because it enhances the possibility of denying control of the Democratic National convention to President Johnson. "It will help make a more open convention," McCarthy said.

He got definite word of Kennedy's intentions in the middle of the night in the form of a personal visitation from the new candidate's brother, Sen. Edward M. Kennedy of Massachusetts. The younger Kennedy flew into Green Bay about 2:30 a.m., awakened McCarthy with a telephone call, then drove to McCarthy's suite in the Northland Hotel for 35 minutes of conversation.

"We talked," McCarthy said whimsically today, "about the St. Patrick's Day parade in Boston and some other matters."

Then McCarthy went back to bed and appeared at the local television studios of WBAY precisely at 10 a.m.



United Press International

The President: "None of this is going to be easy or pleasant."

Troops Will Be Boosted

By William Chapman
Washington Post Staff Writer

President Johnson said yesterday the United States will fight on to a battlefield victory in Vietnam if necessary. He called for home-front austerity, including Federal budget cuts, to support the war effort.

"We must tighten our belts," he said. "We must adopt an austere program. We must adopt a program of fiscal soundness."

At the same time, an authoritative source confirmed that more than the previously planned number of U.S. troops will be sent to Vietnam.

The exact number has not been agreed upon, the source said. But he asserted that the increase—an addition to the 525,000 planned by this summer—will be "moderate" as compared with the 206,000 reportedly suggested by military leaders in Vietnam.

Agrees to Cutback

It also was learned that the President has agreed to an $8-billion-to-$9-billion cutback in his 1969 budget appropriations in order to spring loose his long-sought 10 percent tax surcharge on Capitol Hill. The budget cutback and tax increase also would presumably help ease the international gold crisis.

In a hard-line speech directed mostly at critics who have called for a change of course in Vietnam, Mr. Johnson charged that the Communists there are unwilling to work out a settlement except on the battlefield.

"And if that is what they choose then we shall win a settlement on the battlefield."

Kennedy's Chances—An Assessment

Washington Post political reporter David S. Broder assesses Sen. Kennedy's chances for winning the nomination

Last November, when Sen. Eugene J. McCarthy (D-Minn.) announced what appeared to be a quixotic campaign to deny renomination to President Johnson, a leading Administration Democrat made a prophetic comment. "It may last Christmas, but you

prospect of a brutal intra-party battle that may leave neither faction strong enough to withstand the Republicans in November.

By any normal calculation, the odds are heavy

See ASSESS, A10, Col. 1

7 Nations Open Crucial Gold Talks

By Hobart Rowen
Washington Post Staff Writer

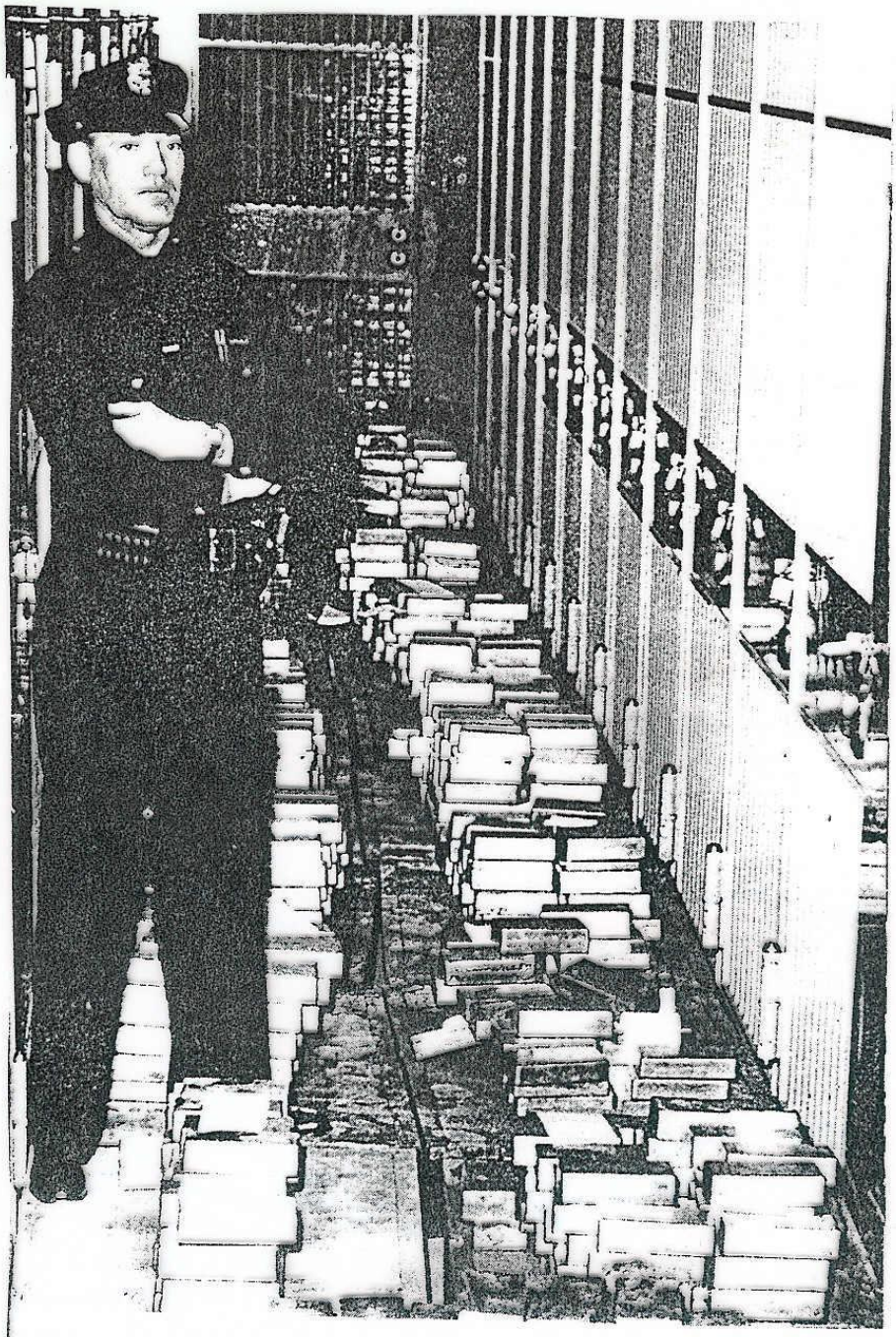
Behind a heavy veil of secrecy, the United States and its six gold pool partners began a historic two-day meeting here yesterday on the future of the international monetary system.

They met at 10 a.m. in the

Md. Set to Choose Uncommitted Slate

By Robert L. Asher
Washington Post Staff Writer

The entry of Sen. Robert F. Kennedy (D-N.Y.) into the presidential campaign yesterday sent area Democratic leaders scurrying for new political postures, with Maryland set to choose an uncommitted conv-



1968: Because of the heavy flow of gold from the United States Assay Office on Wall Street, bars of gold representing foreign assets are piled on the floor of the vault of the Federal Reserve Bank in New York.

UPI Photo

Bretton Woods:
Problems

- **Instability of a two-reserve system (gold and dollar)**
- **Gold problem**

  Price fixed at $35/oz.

  Short-term fix: 2-tier gold (1968)
- **Dollar problem**

  Dollar shortage in 1940s

  --->Dollar Surplus in 1960s

  Short-term fixes in 1960s:

  Interest equalization tax

  Other credit controls

Subsequent Developments

- **Attempt to expand role of IMF through special drawing rights (SDRs)**
- **U.S. unilaterally ends Bretton Woods**

"All the News That's Fit to Print"

The New York Times

LATE CITY EDITION

Weather: Mostly sunny and ... today; fair tonight and tomo... Temp. range: today 44-40; Sun... 67-47. Temp.-Hum. Index yesterd... 78. Full U.S. report on Page ...

VOL. CXX . . No. 41,477 © 1971 The New York Times Company NEW YORK, MONDAY, AUGUST 16, 1971 15 CENTS

NIXON ORDERS 90-DAY WAGE-PRICE FREEZE, ASKS TAX CUTS, NEW JOBS IN BROAD PLAN: SEVERS LINK BETWEEN DOLLAR AND GOLD

As British soldiers take cover during disturbances, a Londonderry woman walks home

Hate Pursues British Troops in Ulster

By BERNARD WEINRAUB
Special to The New York Times

BELFAST, Northern Ireland, Aug. 15 — They walk slowly down darkened Springfield Road, gripping loaded submachine guns and gazing at the narrow streets covered with glass, piles of brick and burned-out furniture.

"It's like a foreign country here," said Sgt. Colin Butcher, a 32-year-old paratrooper leading a platoon of 30 men in the Catholic quarter. "Sure, they speak English and drink tea—but that's about it."

For the 17,500 British soldiers in Northern Ireland—the highest number since riotting broke out in 1969—the past week of violence has evoked terror and anger. "They're rubbish, these people," said Pvt. David Rudkin, a 21-year-old from Nottingham. "They put women and children in front of them and open up fire on us. Some guts!"

Since the Government announced emergency powers of internment on Monday, a wave of arson, rioting and sniper attacks has engulfed

Continued on Page 5, Column 1

A WORLD EFFECT

Unilateral U.S. Move Means Others Face Parity Decisions

By EDWIN L. DALE Jr.
Special to The New York Times

WASHINGTON, Aug. 15 — President Nixon announced tonight that henceforth the United States would cease to convert foreign-held dollars into gold—unilaterally changing the 25-year-old international monetary system.

How many pounds, marks, yen and francs the dollar will buy tomorrow will depend on decisions of other countries. In some countries, the value of the dollar may "float," moving up and down in day-to-day exchanges. A period of turmoil in the foreign-exchange markets is all but certain, which means uncertainty for American tourists, exporters and importers.

The President said he was taking the action to stop "the attacks of international money speculators" against the dollar. He did not raise the official price of gold, which has been $35 an ounce since 1934.

Devaluation Denied

Mr. Nixon said he was not devaluing the dollar. But, he said, "If you want to buy a foreign car, or take a trip abroad, market conditions may cause your dollar to buy slight-

REACTION MIXED

Mansfield Pleased by Wage-Price Action—McGovern Critical

By CHRISTOPHER LYDON
Special to The New York Times

WASHINGTON, Aug. 15—Politicians and political economists who commented on President Nixon's speech tonight drew careful distinctions between the domestic and international elements of the package.

In widely mixed reactions they expressed somewhat greater support for the wage and price freeze than for his action on the international position of the dollar.

The Senate Democratic leader, Mike Mansfield of Montana, called the wage-price freeze "harsh but very necessary."

"I'm delighted that his patience has finally run out," the Montanan said.

Javits Is Gratified

Senator Jacob K. Javits of New York, the ranking Republican on the Joint Economic Committee, said that without the freeze, "we were blindly rushing to national disaster," he added:

"The measures to bolster the dollar are particularly gratifying to me. I expect to be able to support the President in

President Nixon after delivering televised address

Highlights of Nixon Plan

Special to The New York Times

WASHINGTON, Aug. 15—Following are the highlights of President Nixon's address tonight:

Wages and Prices—The President ordered a 90-day freeze on wages and prices and established a Cost of Living Council to administer the freeze and recommend measures to stabilize wages and prices afterward. He also called on corporations to extend this freeze to all dividends.

International Monetary Policy—Mr. Nixon said the United States would no longer convert foreign-held dollars into gold, thus altering the entire world monetary system.

SPEAKS TO NATION

Urges Business Aid to Bolster Economy—Budget Slashed

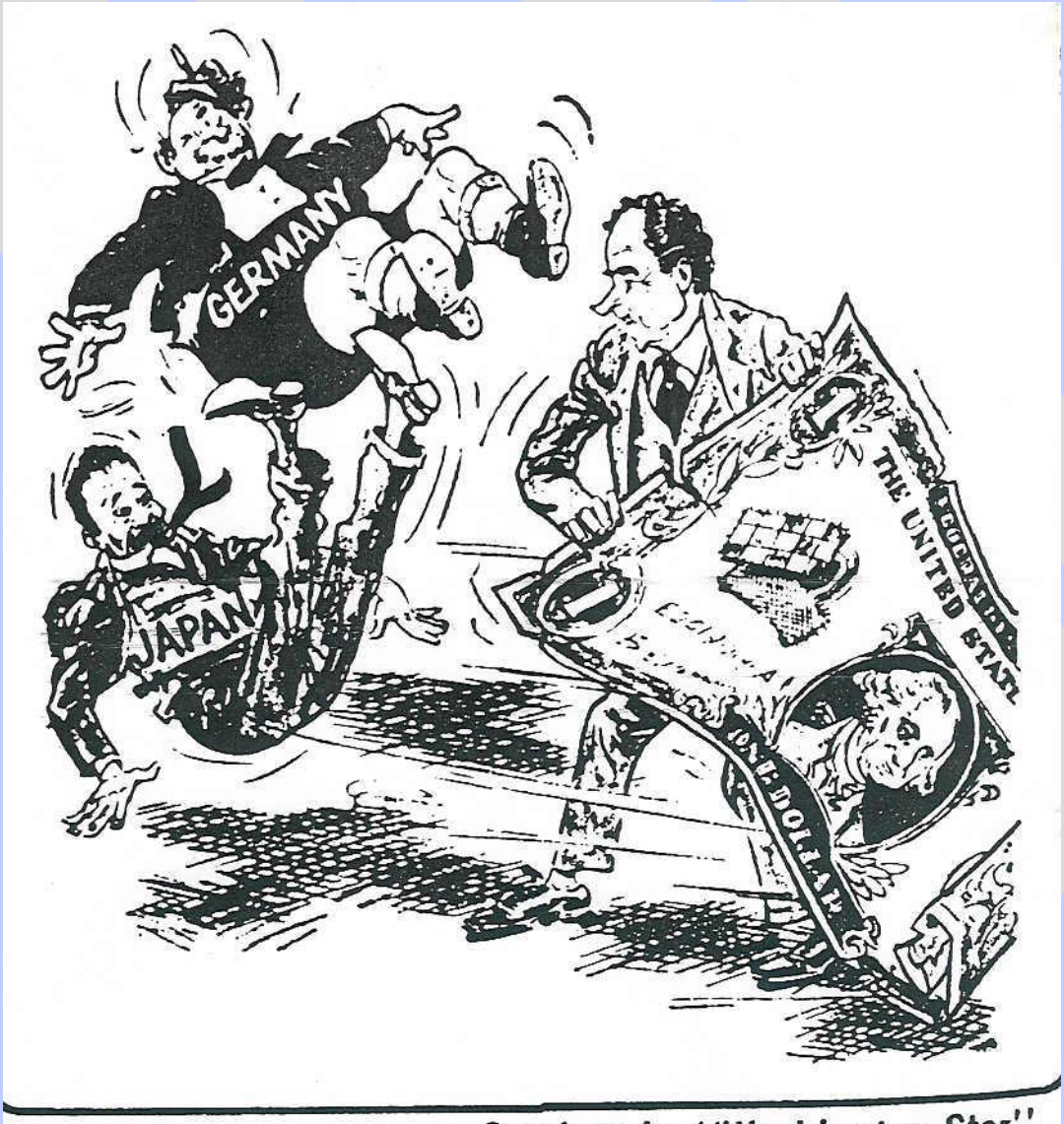
Text of the President's speech will be found on Page 14.

By JAMES M. NAUGHTON
Special to The New York Times

WASHINGTON, Aug. 15 — President Nixon charted a new economic course tonight by ordering a 90-day freeze on wages and prices, requesting Federal tax cuts and making a broad range of domestic and international moves designed to strengthen the dollar.

In a 20-minute address, telecast and broadcast nationally, the President appealed to Americans to join him in creating new jobs, curtailing inflation and restoring confidence in the economy through "the comprehensive new economic policy to be undertaken in nation in four decades."

Some of the measures Nixon can impose temporarily himself and he asked for tolerance as he does. Others require Congressional approval and — although he proposed some policies that his critics on Capitol Hill have been urging upon him—will doubtless face long scrutiny before they take effect.



—Crockett in "Washington Star"

" 'SORRY, FRIENDS!' "

Subsequent Developments

- **Attempt to expand role of IMF through special drawing rights (SDRs)**
- **U.S. unilaterally ends Bretton Woods**
- **Smithsonian agreement**

A CHRISTMAS APPEAL: NEW YORK'S NEEDIEST CASES: SECTION 2

"All the News That's Fit to Print"

The New York Times

LATE CITY EDITION

VOL. CXXI . No. 41,462 NEW YORK, SUNDAY, DECEMBER 19, 1971 30 CENTS

10-NATION MONETARY AGREEMENT REACHED; DOLLAR IS DEVALUED 8.57%; SURCHARGE OFF

Pakistan Calls Bhutto to Form Regime With New Charter

YAHYA DENOUNCED

Approval by President of Cease-Fire Spurs Demonstrations

REDISTRICTING BILL HELPFUL TO G.O.P. PASSED IN ALBANY

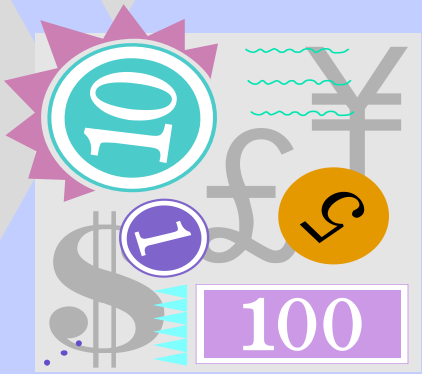
Democratic Senators Score Measure as Gerrymander—Assembly Debate Heated

President Tells Pakistani Of Concern for Stability

Sato Welcomes Accord But Sees Serious Impact

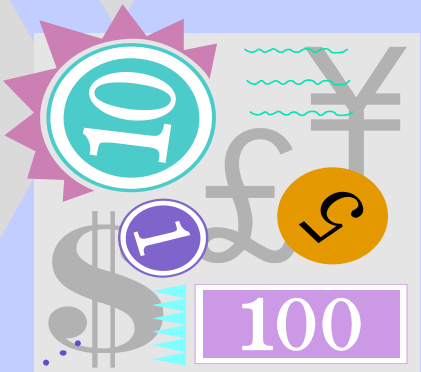
NIXON HAILS PACT

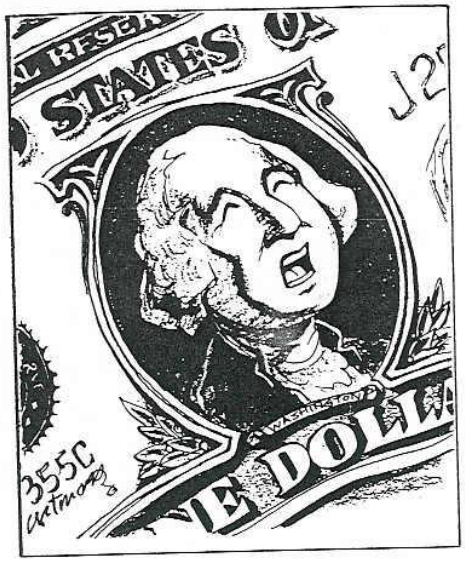
He Makes a Surprise Appearance—Gold Goes to $38



Subsequent Developments

- **Attempt to expand role of IMF through special drawing rights (SDRs)**
- **U.S. unilaterally ends Bretton Woods**
- **Smithsonian agreement**
- **End of Smithsonian**





"HELP!"

Cartoon by Mauldin © 1973 Chicago Sun-Times AP

America's latest devaluation makes a big impact at newsstands and in money and stock exchanges around the world

America's New Shrinking Dollar

It started with intrigue—and it ended last week with a dramatic nighttime announcement, literally at the eleventh hour, by Treasury Secretary and economic supercrat George Shultz. The United States devalued the dollar for the second time in fourteen months, this time by 10 per cent. It was the key

on the international monetary system," one French expert said. More than that, there was the growing realization that if the United States benefits from devaluation, other nations will be hurt, at least in the short run.

Even so, the devaluation was a major positive move. There was now a little

a U.S. devaluation, because if other nations decided to devalue as well, the intended beneficial effects would be lost to the U.S.—and the world crisis would continue.

The first stop was Tokyo. With his mission a secret, Volcker arrived at a U.S. air base an hour's drive from

Newsweek 2/23/73

Subsequent Developments

- **Attempt to expand role of IMF through special drawing rights (SDRs)**
- **U.S. unilaterally ends Bretton Woods**
- **Smithsonian agreement**
- **End of Smithsonian**
- **The decentralized "system"**

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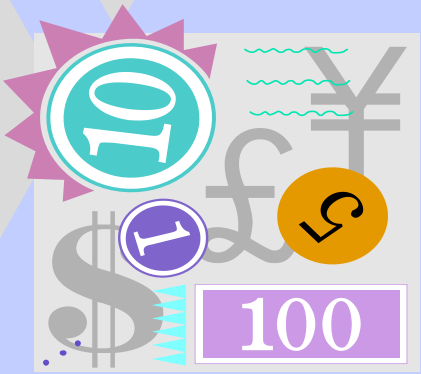
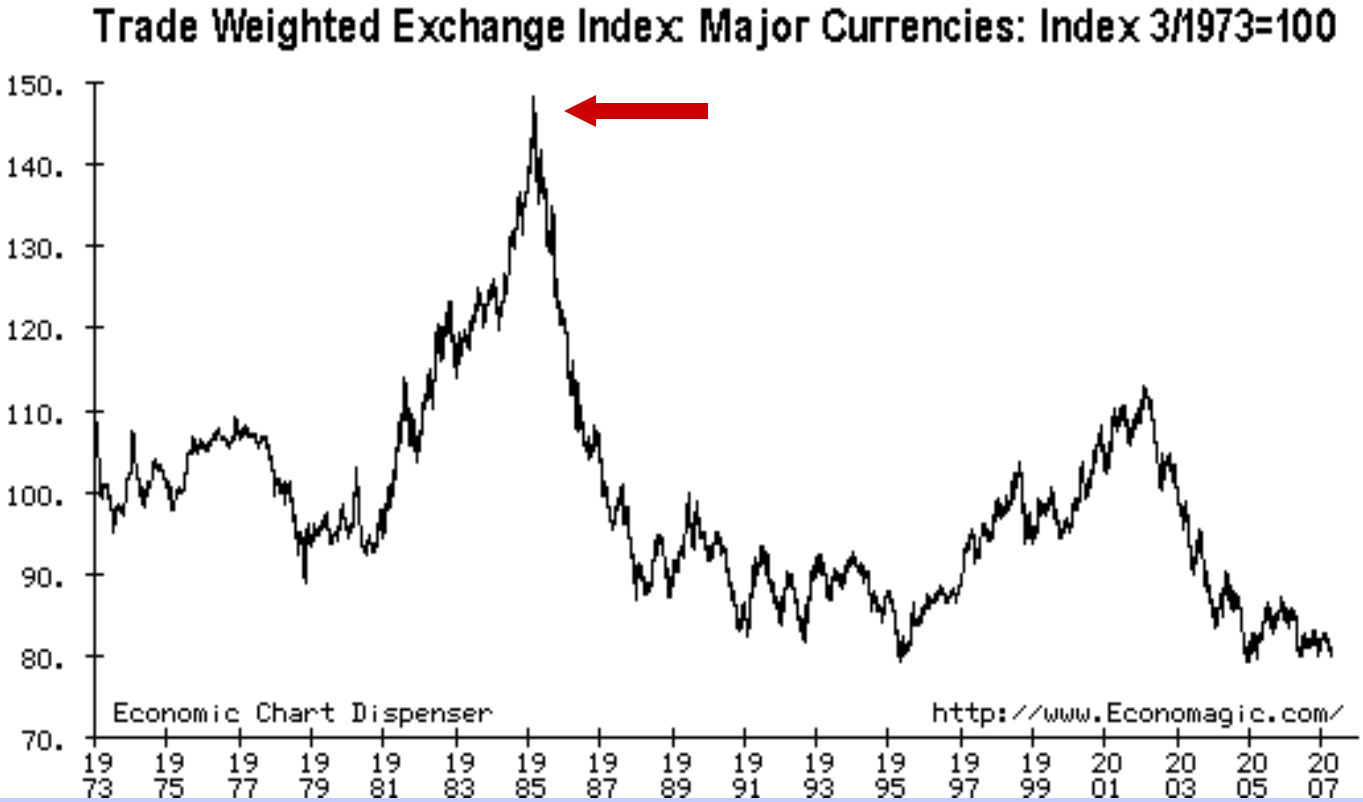
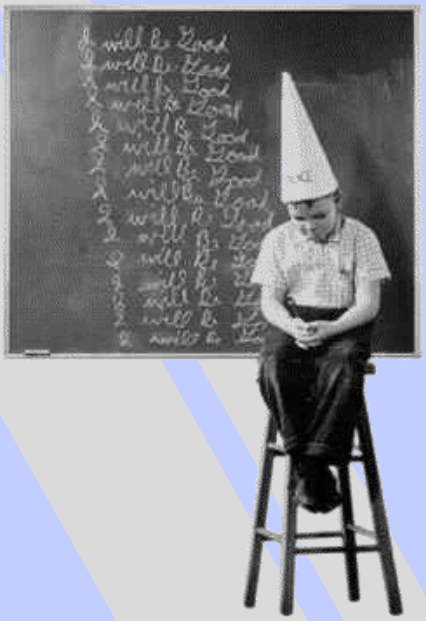


Plaza Accord



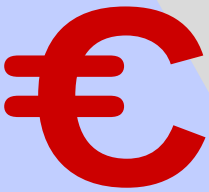
Non-Lesson and Lesson



- **Non-Lesson**
  - **With trillions of dollars in currency transactions going on, it is impossible nowadays to have fixed exchange rates**
- **Lesson**
  - **If countries want to have fixed exchange rates, they can still do so**
  - **4 quarters = $1**
  - **Euro zone prior to elimination of national currencies**

Decentralization

- Free floating
- Managed ("dirty") floating
- Crawling pegs
- Fixed pegs to a particular currency or composite, possibly with a currency board
- Currency blocs
- Cross-country currencies such as the <u>euro</u>
- Currency <u>crises</u>



Types of Financial Crises

- **Internal: Borrowed in own currency**
  - **<u>Example</u>: U.S. Savings and Loan crisis of the 1980s**
  - **<u>Example</u>: Japan banking and financial institution crisis of 1980s and beyond**
- **External: Borrowed in foreign currency**
  - **<u>Example</u>: Mexican Peso, 1994-95**
  - **<u>Example</u>: Asian financial, 1997**
  - **<u>Example</u>: Argentina, 2001-02**
- **General Rule**
  - **Bail out the bank...**
  - **Shoot the banker**
- **Internal: Central bank**
- **External: IMF??**

Types of Financial Crises

Cross-Country Currencies

Example:

Euro

€

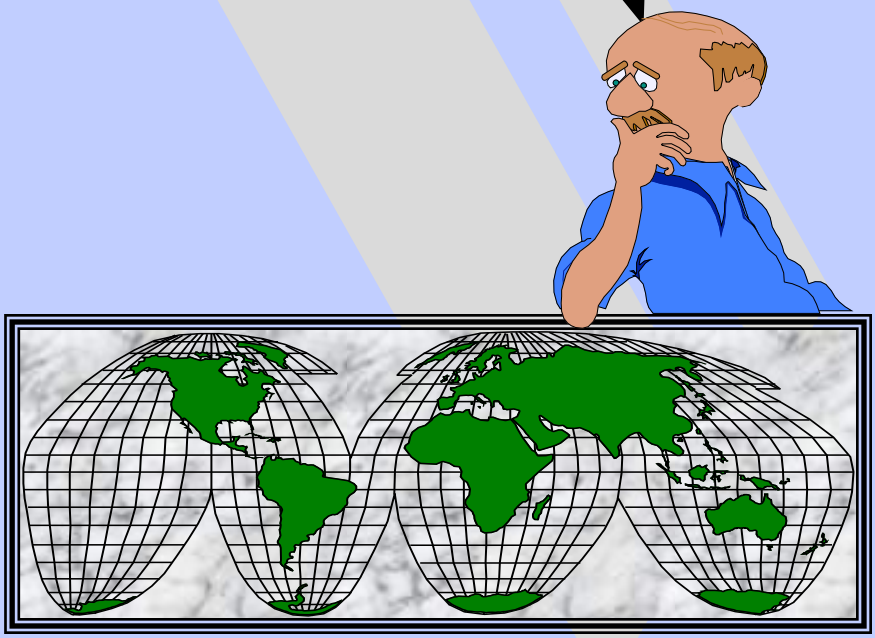
If California were a country, it would be the...

- 5th
- 6th
- Whatever

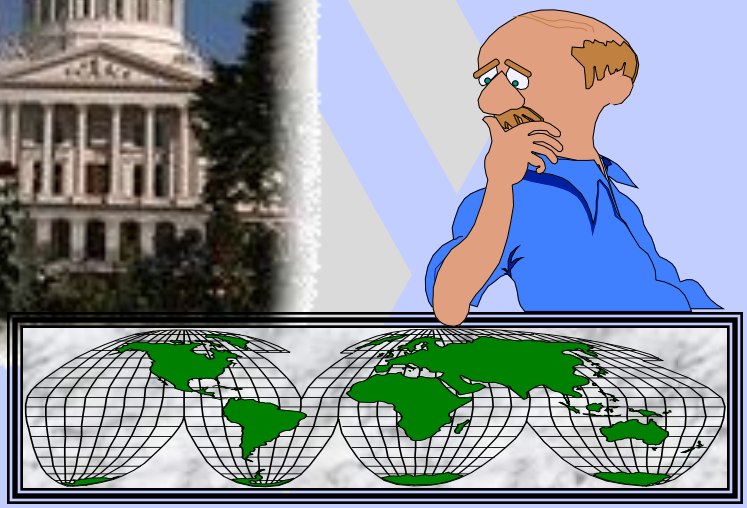
largest country in the world depending on the year chosen.

What does this statement mean?

What makes a country?



Having a government?



Belonging to the UN?

Switzerland until 2002?

Taiwan?

Having a post office and issuing stamps?

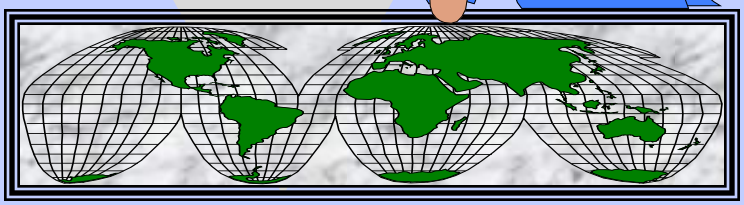
UN?

Speaking a common language?

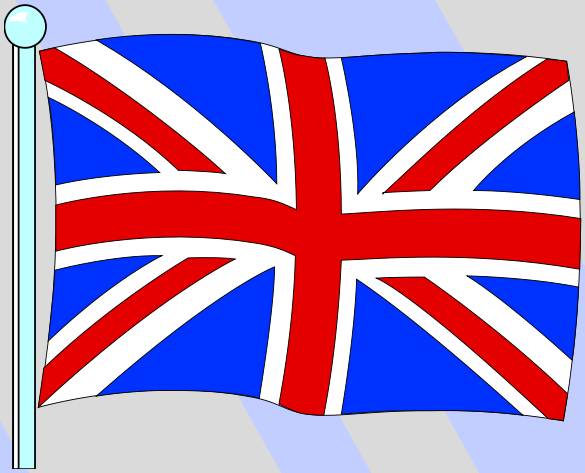
The Tower of Babel
by Pieter Bruegel (c. 1525-69)

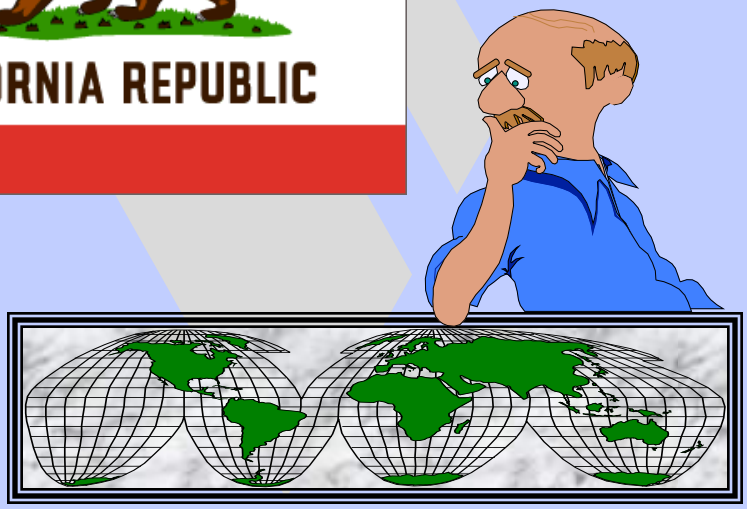
Belgium?

India?



Having a flag?





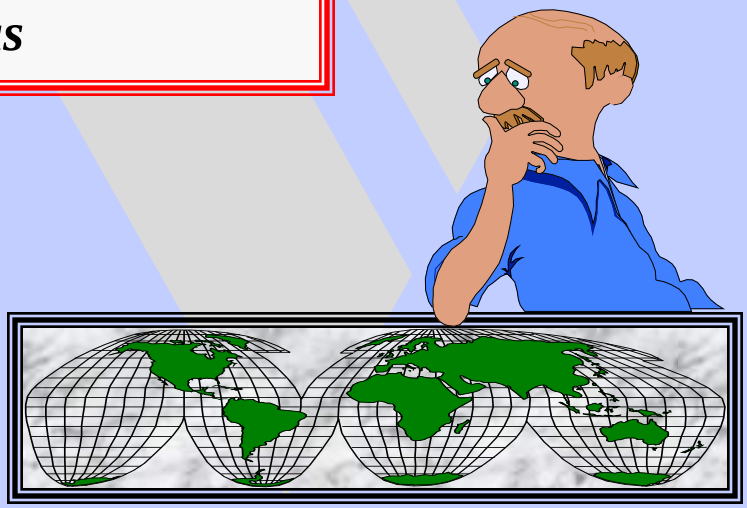
Sovereignty?

“I am the master of my fate;

I am the captain of my soul.”

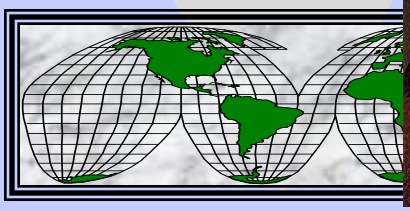
William Ernest Henley

Invictus



Sovereignty?

Henry VIII &
Ann Boleyn



Economic Sovereignty?

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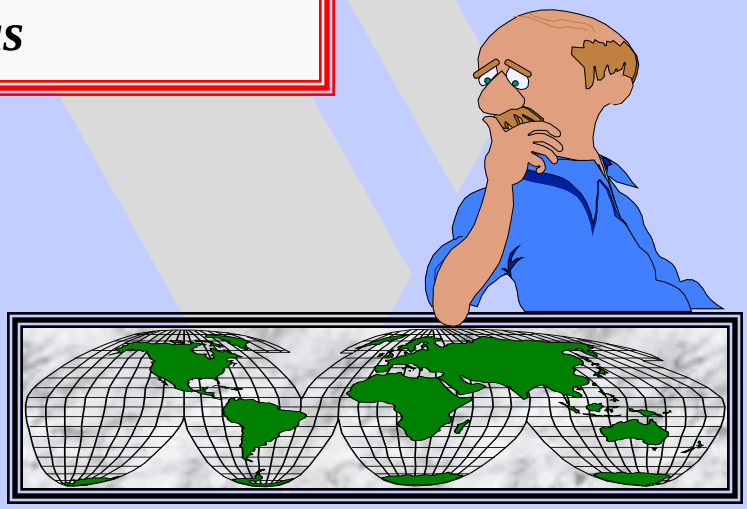


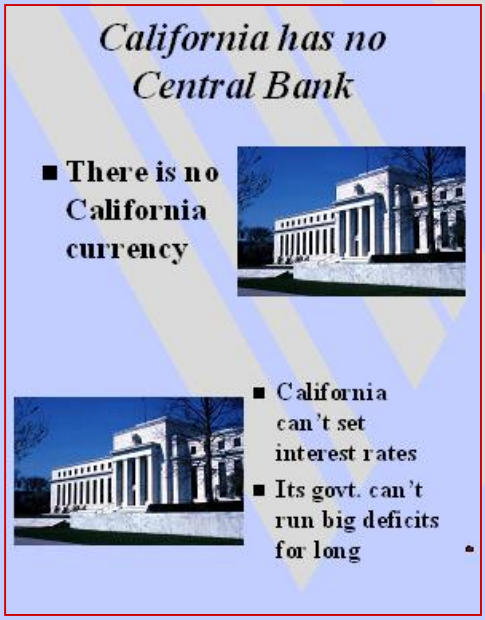
California has no Central Bank

- **There is no California currency**

- **California can't set interest rates**
- **Its govt. can't run big deficits for long**

Are “countries” in the euro zone different in economic terms from California within the U.S.?

€ € € €



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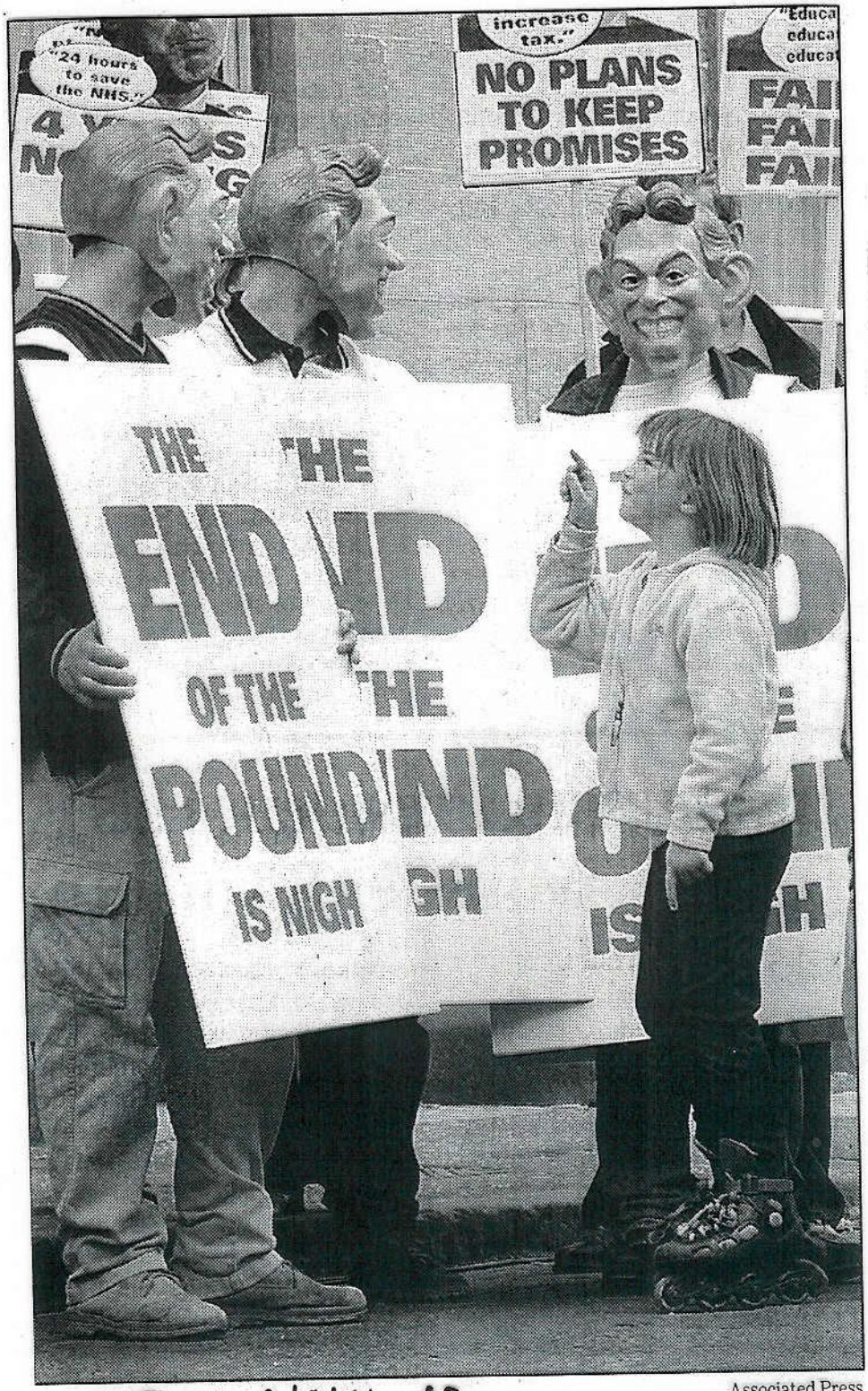


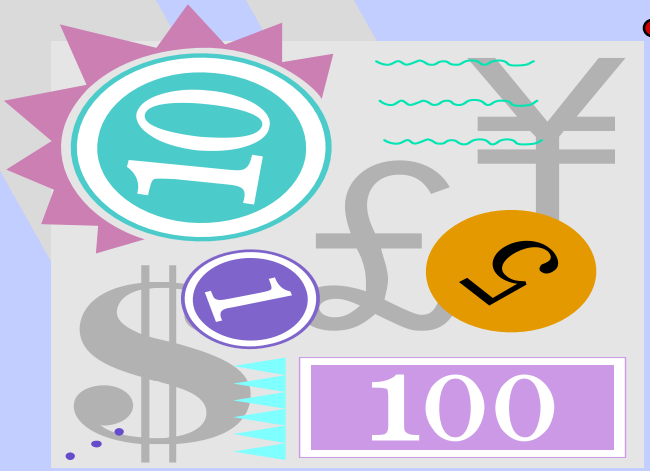
Associated Press

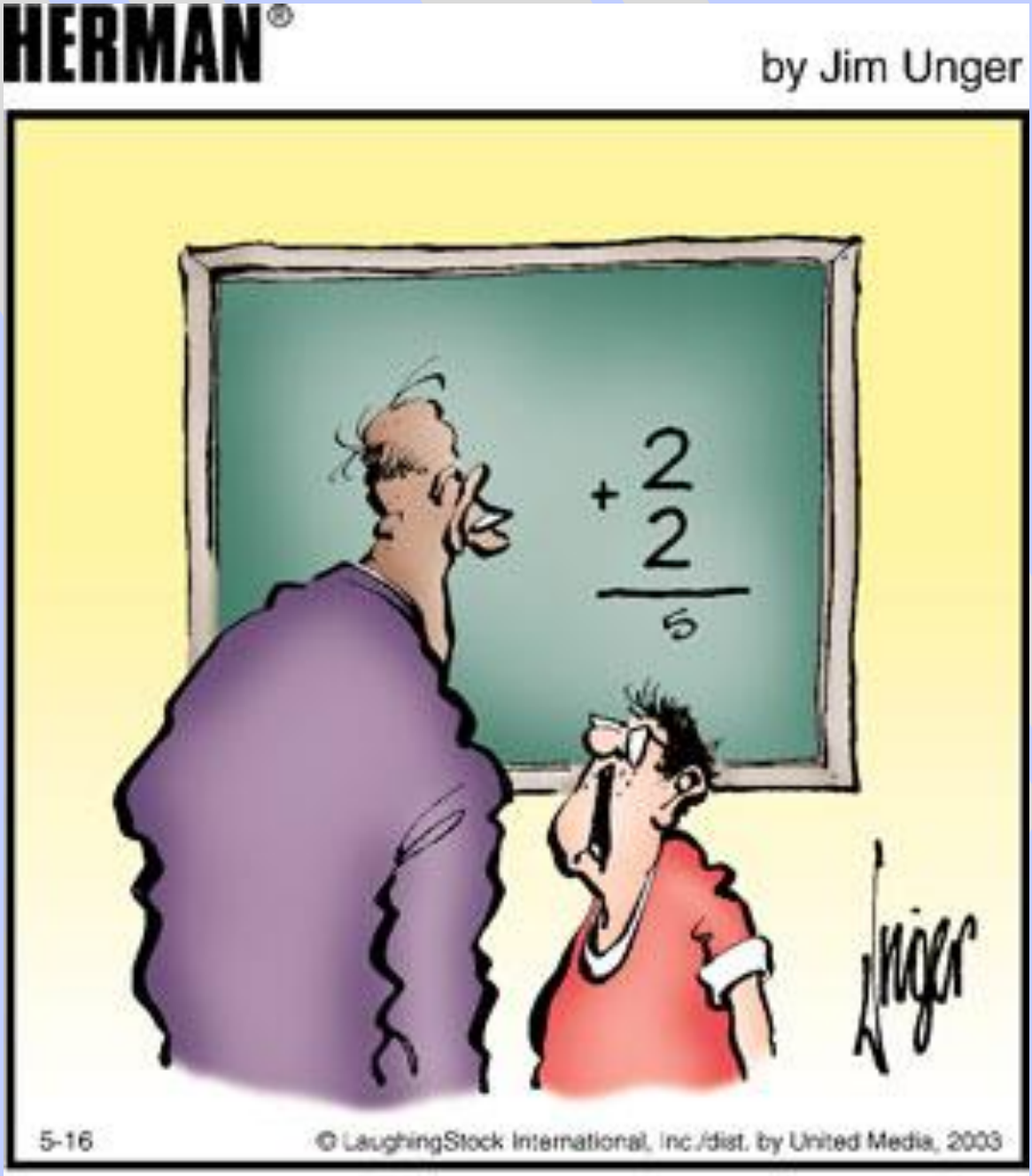
LA Times 6/3/01 A3

Conservatives demonstrate in Edinburgh, Scotland, where the prime minister spoke to academics and business leaders.

Issues for the Future

- **Will currency blocs follow trade blocs (as in EU)?**
- **From currency blocs to international currencies (as in EU)?**
- **What will be the role of the IMF?**
- **What will be on the final exam?**

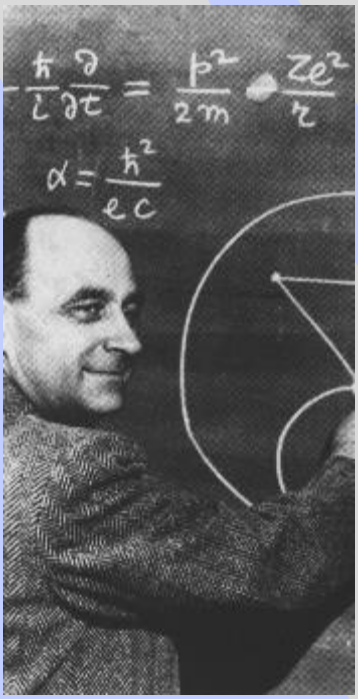




"I make mistakes to keep you on your toes!"

“Before I came here, I was confused about this subject. Now I am still confused, but at a higher level.”

Enrico Fermi



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The

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